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E THE FINANCIAL TIMES LIMITED 1991

Mobutu and

opposition

in talks to

form unity

By Julian Ozanne

the brink of chaos.

in Kinshasa

government

ZAIRE'S president Mobutu

Sese Seko and 11 pro-democ-racy opposition parties were expected last night to complete

an agreement to form a transi-tional government of national

unity.
The negotiations followed

last week's riots and looting which brought the country to

The president yesterday sacked General Manzembe Banga as army chief of staft

and replaced him with Gen Mahele Liyeko. Gen Liyeko is charged with restructuring and

restoring discipline to the 10,000 strong army, elements of which mutinied last Monday

over a pay dispute. Their action sparked 48

hours of unrest which left at least 100 dead. The capital, Kinshasa, and several provin-

The new government is expected to be led by Mr Etienne Tshisekedi, the veteran leader of the opposition Union for Democracy and

Social Progress. The govern-ment will have to be ratified by a reconvened national confer-

A crowd of more than 100, chanting that they were being sold out by the opposition lead-

ers, yesterday forced Mr Mob-

utu's convoy to stop just inside

ence tomorrow.

cial towns were devastated.

World News

Arafat wins mandate for

Palestine Liberation
Organisation chairman Yassir
Arafat emerged from a session
of the Palestinian "parliament"
better placed to negotiate on
Palestinian representation at
proposed Middle East peace
talks. Page 20

bomb blast

A powerful explosion hit Tbi-lisi's television centre, which opponents of Georgia's president, Zviad Gamsakhurdia, have turned into an armed stronghold. Several people were injured by flying glass, according to witnesses.

Serbian president Slobodan Milosevic has played a key role in co-ordinating federal mili-tary operations in Croatia and Bosnia-Hercegovina, a Belgrade newspaper says. Page 3

Angola rebel returns Angolan rebel leader Jonas Savimbi, head of the Unita movement which has been fighting the country's left-wing government, was greeted in the capital, Luanda, by big crowds when he returned home for the first time for 16

Army parades in China China staged its first military parade since 1984. The parade, in the southern city of Guangzhoù, was seen as reaffirming army support for communism and as a message for Taiwan and Hong Kong. Hong Kong protest, picture Page 6

More flooding in Bangladesh has stranded at least 500,000 people. Four rivers burst their banks in a region 75 miles north of the capital, Dhaka.

SPD loses in Bremen Germany's SPD lost its overall majority in the Bremen state extreme rightwing DVU won an estimated six seats.

11 die in fight at mine Eleven black people were killed in renewed inter-ethnic fighting at Impala Platinum Mine in the black South African homeland of Bophuthatswana. VATstrains hones of political peace, Page 6

Salvador murder verdict A jury ln El Salvador found an army colonel guilty of murdering six Jesuit priests, their housekeeper and her daughter in 1989. Eight other soldiers were acquitted, but a lieuten-ant was convicted of killing the housekeeper's daughter.

Policemen in custody An Irish policeman was remanded in custody in Dublin

charged with violating the Offi-cial Secrets Act. The court heard that Denis Kelly, 28, was suspected of belonging to the Irish Republic Army, which is fighting British rule in Northern Ireland.

UN mission resumes UN nuclear inspectors went back to work in Iraq after being held for four days during a row over sensitive docu-ments. Page 6

UK opposition move British opposition Labour party leader Neil Kunnock crushed left wingers' attempt to halt a purge of Militant, a leit wing group. Labour confer-ence, Page 9

Beiglan restruffle Beiging prime minister Wiffried Martens, facing elections tens, facing elections in under four months, reshuf-the his eachiest to prevent the fall of the coalition. Page 4

Presidi larmera protest About 150,000 farmers conward on Paris for a largely Price of protest against falling

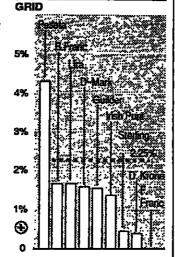
Business Summary

Budget may bring peseta into narrow **ERM** band

Spain's finance minister, Carlos Solchaga, outlined his conservative budget at the weekend with a promise of a "year of recovery" for the economy. Analysts believe the budget raises the likelihood of the peseta making an early entry into the narrow band of the exchange rate mechanism of the European Mone-

The peseta remained at the top of the EMS grid last week although its lead over the weakest currency, the French franc, narrowed. Speculation about a reduction in Spanish interest rates lay behind its decline. Sterling weakened as opinion polls put the Labour party ahead of the Conserva-tives. The French franc remained at the bottom of the grid. Page 20; Currencies, Page 33; Notebook, Page 21

EMS September 27, 1991



The chart shows the member currencies of the ERM measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

UK government proposals to introduce photographs on bank credit and cash machine cards are being resisted by banks.

BERLIN'S majority stakes in the Berliner Bank, the Landesbank Berlin, Wohnungsbau-Kreditanstalt Berlin and the mortgage group Berliner Pfandbrief-Bank may be merged under the umbrella of a new company, Berliner Banken Holding (BBH).

UK small investors are to be offered around £2.5bn worth of shares in BT, formerly British Telecom, when the govern-ment sells part of its remaining 49 per cent stake later this

OLD Mutual, South Africa's largest life insurance company has called off a planned investment fund designed to tempt international investors back into South African shares. Page 21; VAT strains hopes,

FERRUZZI Finanziaria (Fer-fin), the Italian financial holding concern controlling the Ferruzzi-Montedison group of companies, reported a fall in first-half group consolidated profits after minority interests to Lagba (£38.03m) from L180ba last year. Page 23

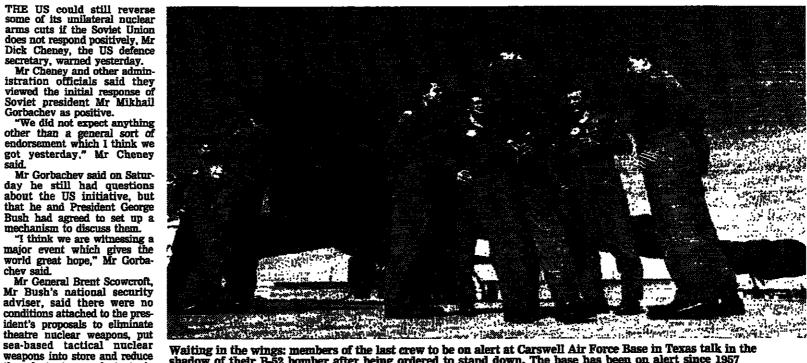
ALGERIA devalued the dinar by 2º per cent as part of its continuing efforts to liberalise its tightly state controlled economy. Page 6

BRAZIL has set a new date for the start of its privatisation programme after its first attempt at a state sell-off collapsed. Usiminas, the country's largest steel mill, will now be sold on October 15. Page 6

Unilateral reductions could still be reversed, Cheney warns

S seeks response on N-arms

By George Graham in Washington, Leyla Boulton in Moscow, lan Davidson in Parls and Christopher Parkes in Bonn THE US could still reverse some of its unilateral nuclear



Waiting in the wings: members of the last crew to be on alert at Carswell Air Force Base in Texas talk in the low of their B-52 bomber after being ordered to stand down. The base has been on alert since 1957

regarded these missiles as essential to the future US

bombers and missiles. How-ever, Mr Cheney said some of the measures could be "We have consistently "We can put the bomber force back on alert. We can argued and continue to argue that those sea-based systems are different than land-based systems, that a land-based misredeploy our sea-based tactical nuclear systems," he warned. Mr Gorbachev had quessile with multiple warheads on Mr Cheney argued that the US proposals targeted the most

tioned whether the US proit is a very ripe target for the posal to negotiate the elimina-tion of multiple warhead missiles included submarineother side, and that there would be a temptation in a crisis to launch rather than lose launched strategic nuclear missiles - in which the US has a that capability. Sea-based systems are radically differ-

significant advantage over the Mr Cheney made clear he

the alert status of strategic

secretary, warned yesterday.

Mr Cheney and other admin

destabilising elements of both sides' nuclear forces: weapons such as the Soviet SS-18 and the US MX Peacekeeper inter-continental ballistic missiles. Mr Gorbachev's response only thinly masked Moscow's eagerness to pursue arms

reductions. His own spokes-man, Mr Andrei Grachev, and Mr Boris Pankin, foreign minister, said the Soviet Union would match the cuts. Mr Boris Yeltsin, the Russian president, unconditionally

endorsed the US initiative and called for matching concessions by Mr Gorbachev.

Mr Bush's proposals include ending the development of a rail-based launch system for the Peacekeeper missile, but the Senate last week voted to eliminate \$225m of funding for this deployment from the 1992 Pentagon budget.

US military officials see theatre nuclear weapons as having little purpose now that the Soviet army is withdrawing from eastern Europe, reducing the risk of a surprise

The German chancellor, Mr Helmut Kohl, described Mr

The smell of teargas, used on

Saturday night to disperse

small crowds of peaceful dem-

onstrators from the central

University Square, still hangs

The walls of the university and other public buildings are

plastered with anti-government

posters and slogans, demand-ing the resignation of Mr

Mr Iliescu, who is trying to

on an historic scale". Mr François Mitterrand, French president, warmly welcomed the US proposals, but made clear that France did not yet consider itself obliged to offer further reductions in its

own nuclear arsenal. Mr Tom King, UK defence secretary, reaffirmed that the British government would continue with its Trident submarine-launched missile sys

Editorial Comment; Hand of friendship, Page 18 French response, Page 2

the gates of the palace. Mr Mobutu then held an impromptu audience with the demonstrators on the palace Many of the demonstrators claimed to represent the youth and the true opposition anx-

ious about a government being carved up without their input. Several were invited by the president to join the meeting.

Many Zairean political observers believe that with the formation of a new govern-ment led by the opposition, Mr Mobutu has no option but to concede the absolute political power he has wielded for 26 which won a landslide victory

> "The violence last week has finished Mr Mobutu," said Mr Tshisekedi in an interview yesarmy, wants change. He is still a dangerous monster, but he is choice but to give up power.' But the transitional agreement, which will leave Mr Mobutu as president until elec-

tions can be organised, could

Continued on Page 20 Zaire hovers on brink of

Romanians strive to forge coalition

By Judy Dempsey in Bucharest

ROMANIA'S president, Mr Ion Iliescu, was last night attempting to fill his country's politi-cal vacuum by forming a broad-based coalition govern-

His move came after rioting miners forced the resignation last week of Mr Petre Roman, the prime minister. But Mr Roman, in what

appears to be a direct challenge to the miners and Mr Iliescu, yesterday reiterated his determination to remain in office, saying he would not "vield to violence

Miners from the Jiu Valley coalfields in western Romania last Wednesday commandeered

trains to Bucharest, the capi-tal. They toppled the government on Thursday and ransacked the parliament building on Friday in protest at Mr Roman's austerity measures and economic reforms.

Mr Roman yesterday said

that elections, scheduled to take place next February after the drawing up of a new constiward and be held before the end of this year.

His remarks are likely to fuel political uncertainty and instability. They will also anger the miners, returned home on Saturday morning after receiving assurances from Mr Iliescu that prices would be frozen, wages increased and Mr Roman removed from office. "No matter what govern-

ment now takes office, the economic reforms will slow down," Mr Silviu Brucan, a sharp critic of Mr Iliescu and a former member of the ruling National Salvation Front's

Although life in Bucharest has started to return to norwith many of the city's inhabitants spending yesterday outdoors enjoying the long, hot with armed police and army

regain the political initiative, faces strong opposition from political parties, each of which wants its own candidate as prime minister.

The executive council of the

in last year's elections but which is now rapidly disintegrating, yesterday put forward Mr Teodor Stolojan, as prime minister.
Mr Stolojan, a former finance minister, and later

head of the privatisation programme under the Roman gov-ernment, could be rejected by

Other candidates include Mrs Marian Celac, an architect. and one of the leading mem-bers of the intellectual and liberal Group of Social Dialogue.

National Salvation Front, Iliescu weakened, Page 3

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EC political union row to dominate Brussels meeting

By David Gardner in Brussels

RC FORRIGN ministers will today try to break the gridlock into which the Dutch presidency of the Community has driven talks on political union

Last week the Netherlands was attacked by seven of its partners when it tabled new revisions to the Treaty of Rome which they believe reduce chances of agreement on a new union treaty at the Maastricht summit on Decem-The Twelve may also decide

at the two-day meeting in Brussels on whether to ask the Western European Union, the defence grouping to which nine of them belong, to send a force to Yugoslavia to support EC ceasefire monitors there. WEU defence ministers are due to eign ministers alongside today's meeting.

At what may prove a water-shed meeting, the Twelve will also attempt to unblock negoti-ations with the seven-member European Free Trade Association (Efta) for a common free-trade zone from 1993. This was halted by rows over fisheries rights and heavy lorry traffic through the Alps.

Resumption of talks with Czechoslovakia, Hungary and Poland will also be sought on transitional "association agree-ments", which would give the three greater access to the EC market as well as the prospect of membership. New trade concessions were blocked on September 6 by France's refusal to amounts of east European

The crowded agenda will be overshadowed by the crisis in the political union negotia-

Mr Rund Lubbers, the Dutch prime minister, said yesterday he was "prepared to make changes that everyone accepts in foreign policy and defence policy". He acknowledged the new draft treaty was "a little bit too much" for the UK, but warned in a BBC interview

"not prepared... to go back to make a whole new treaty". Today the Dutch want discussion on the five most contentious issues in the ninemonth-old talks. These are: Plans to expand EC involvement in a common foreign and security policy (CFSP). Co-operation in internal

that the Dutch presidency was

security issues, from terrorism to immigration. More powers for the largely advisory European Parliament. north should finance the development of the southern mem-

ber states.

• EC involvement in social The Dutch will come under strong pressure to revert, at least in part, to the draft tree

tabled by Luxembourg, their Luxembourg had put the con-troversial CFSP and judi-Continued on Page 20

Dutch stand firm, Page 3

Disarmament: President Bush has seized the moment with his nuclear arms proposals18 THE MONDAY INTERVIEW



with economic problems, but one derstanding the

to allegations of not roblems of ordinary

dent, is the product of the best of US educa-tion, an asset in dealwhich has opened him

Middle East: Obstacles remain to Palestinian representation at a peace summit . Computers: Apple's John Sculley talks to the FT on the eve of Apple's alliance with IBM ... 21 Hallen budget: Compromise package postnones the day of reckoning UK business: Uncertainty about the election

date is disrupting business planning .. European Community: EC leaders seek to end the impasse over political union3 South Africa: The country's tax system enters a new phase with the introduction of VAT

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Hiroshima: City of peace seeking to emerge from the E TUESDAY: Management Buy-Outs: Smal deals are dominating. WEDNESDAY :

E THURSDAY: World Textiles: Waiting on the outcome of Gatt's Uruquay Round.

Luxembourg: Success in

Finland: Anxiously eyeing

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diversity for the EC's smallest E FRIDAY :

Europe's dramatic changes.

ours! Now for the really hard work. (Tomorrow's survey)

Notice to the shareholders concerning the issue of nominally DKK 8,190,000 bonus

At the Company's Annual General Meeting on 29 August 1991 a resolution was passed to increase the Company's share capital from DKK 73,710,000 to DKK 81,900,000 by the issue of DKK 8,190,000 new shares by way of bonus shares.

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Any shareholder registered with the Danish Securities Centre as at 11 October 1991 is entitled to receive bonus shares. The allotment of bonus shares and exchange will take place on II October 1991 after updating in the Danish Securities Centre.

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The Company offers shareholders who hold shares of DKK 20 (technical securities code) in connection with the issue and exchange, to exchange these shares free of charge in Denmark from 11 October to 8 November 1991 in such a manner that 5 shares of DKK 20 each will entitle the holder to one share of DKK 100. In connection with the exchange shareholders will be offered to purchase or sell shares of DKK 20 to the nearest number divisible by 5 free of Danish brokerage. Requests in this respect should be made to the shareholder's account-holding

> Copenhagen, September 1991 The Board of Directors of GN Great Nordic Holding Ltd. (GN Store Nord Holding as)

FINANCIAL TIMES CONFERENCE **30 SEPTEMBER 1991**

THE CHALLENGE OF THE NEW EUROPE London, 7 October

The conference, to be arranged with the Council of Foreign Chambers of Commerce, will feature presentations by Dr Carl H Hahn, Mr Anders Scharp, Mr Koichiro Ejiri and Sir Allen Sheppard, sharing their views on the opportunities and challenges of the new Europe. Investment in Eastern Europe will be addressed by Mr Guy de Selliers.

FINANCIAL REPORTING IN THE UK London, 10 October

The ASB's agenda for reform will be reviewed by a speaker panel of representatives from all the interested parties, headed by Professor David Tweedie.

WORLD MOBILE COMMUNICATIONS London, 31 October & 1 November

The challenge to develop a mass market personal communications system and the implications for fixed link will be examined by Mr J Shelby Bryan, Chairman, Millicom Inc. Mr Richard Goswell, Managing Director of Mercury Personal Communications and Mr Lars Rydin, Senior Manager, Televerket. Mr Richard Callahan, Executive Vice President of US WEST Inc, will speak on the growth of mobile nunications in Central Europe and the Soviet Union.

THE EMERGING EUROPEAN TAX SYSTEM London, 6 & 7 November

Keynote speakers at this conference will include Mrs Christiane Scrivener, Mrs Gillian Shephard, MP and Mr Marins van Amelsvoort. The important issue of transfer pricing, European arbitration or US advance rulings, will be addressed by Mr Charles S Triplett, from the US Internal Revenue Service and Mr Thomas Menck, German Federal Ministry of Finance.

FINANCE, INVESTMENT & TRADE WITH CZECHOSLOVAKIA Prague, 7 & 8 November

The Financial Times, in collaboration with the RIIA, is bringing together senior politicians and leading figures from Czechoslovakia and the international business community to review the political and economic developments, and the new opportunities opening up for investment and business.

Ministers taking part include: Dr Vladimír Dlouhý, Dr Václav Klaus, Mr Josef Tosovsky, Dr Karel Dyba, Prof Dr Ing Milan Bucek.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323 (24-hour answering service), Telex: 27347 FTCONF G, Fax: 071-925 2125.

BUSH'S NUCLEAR CUTS

Superpowers will retain enough weapons to destroy each other

Surprise over proposals' range

By David White, Defence Correspondent

A SYMBOL of the Cold War was switched off at the weekend when Mr Dick Cheney, US defence secretary, ordered 40 nuclear bombers to be taken

This was the first step towards implementing the complex set of unilateral cuts, negotiating proposals and measures to deactivate nuclear weapons announced by Presi-dent George Bush on Friday.

Allies were informed in advance, but the scope of the proposals came as a surprise to most observers - the kind of surprise that a couple a years ago was being sprung more by Mr Mikhail Gorbachev than by

However, even after these proposals and reductions under the US-Soviet Start treaty signed in July but yet to be ratified - both nations will have more than enough weapons to wipe each other out.

Many - including long-range ballistic missiles hidden in the oceans on submarines, weapons in which the US, the UK and France hold a clear superiority over the Soviets - remain unaffected. The proposals are therefore a

far cry from the US-Soviet summit in Reykjavik five years ago when President Ronald Reagan came close to abandon-ing most and possibly all nuclear weapons, to the horror of European leaders who feared the removal of US pro-

However, they signal a sharp change in US thinking. After the Start treaty, hopes for a follow-up Start 2 with further bilateral cuts were muted. The Soviet military was not thought ready to accept further reductions and intrusion by treaty inspectors; it would be hard enough to implement and verify Start 1.

The aftermath of the failed Soviet coup altered this outlook in three ways. First, it

THE STRATEGIC NUCLEAR BALANCE Warhead totals and limits foreseen under Start treaty USSR Start limit Intercontinental ballistic missiles 2.450 6.730* 3,630 Submarine-launched ballistic missiles 5,400 10,300 Total ballistic missiles 7.850 1,850 300 Warheads on combers 6,000 11.100 Total warheads 9.700

finchidas 3 580 warheads on heavy SS-18 mischad due to be cut by SC per dent under Start Based on International Institute for Strategic States I Sures

raised concern in both Washington and Moscow about control of Soviet nuclear weapons; even if the system of central control for releasing weapons was reliable, weapons could still be seized in breakaway

Second, the political upheaval presented the opportunity for more radical disarmament with financial savings for the Soviets.

Third, confirmation of Moscow's effective retirement as a world superpower has speeded up a re-thinking of the whole role of nuclear weapons after the Cold War. The US and its allies built up a deterrence strategy both

against the threat of nuclear attack and conventional attack. This evolved in the 1960s into a strategy of "flexi-ble response" based on a wide gamut of weapons, including US weapons of less-than-strategic range deployed in Europe. The idea was to make a nuclear response more "credible" to the Soviets, and over-come doubts that the US would be prepared in the first instance to use its strategic

weapons and expose its own

With the decline of Soviet strength, the break-up of the Warsaw Pact and Soviet troop withdrawals from eastern

territory to counter-attack.

Europe, flexible response has already been largely disman-tled. Nato now has conventional superiority, and therefore can rely less on resorting

to nuclear means. The scrapping of short-range missiles and nuclear artillery shells was already inevitable. Nato agreed last year that the US should stop plans to replace them with new weapons.

"There is a great deal of emotion about getting rid of something we have been wanting to get rid of for decades," commented Mr David Bolton, director of the Royal United Services Institute in London. Battlefield nuclear weapons are seen as serving no purpose now that there is no close-quarter confrontation on the

The US has been reluctant. however, to try to negotiate a formal arms control treaty, as nuclear shells are small and hard to verify, and also because the Soviets would want to draw other categories of weapon into the talks. A decision to abandon these arms, in exchange for a similar Soviet commitment, was in any case expected to be endorsed by Nato leaders this

The most significant US con-cession is the removal of

Ground-launched theatre nuclear weapons

opu Lance missiles destroyed (approx. 1,000 artillery rounds and 700 Lances (approx. 1,000 artillery rounds and 700 Lances are deployed outside US)

Approx. 2,150 weapons, including 100 Tomahawk missiles, Mark 57s and Mark 61s withdrawn from vessels and stored.

3 Strategic nuclear weapons -Strategic nuclear B1 and B52 bombers stand down from alert,

-450 Minuteman II missiles (due for elimination under Start treaty)

1,300 artillery shells destroyed

About half will subsequently be dismantled.

stand down from alert. Rail-based launch system for Stand down from aleit. Pall-based lating Systems Peacekeeper ICBM abandoned. Mobile version of Midgetman small ICBM abandoned.

SRAM 2 bomber-delivered short range attack missile

(and SRAM-T tactical version) abandoned.
Poseidon C3, Trident I C4 and of Trident II D5 unaffected.

Nuclear depth strike bomb eliminated.

President Bush's nuclear proposals

with other tactical nuclear weapons, from ships and sub-marines. The US had already agreed on a ceiling for these missiles, although the ceiling allowed room for growth.

The weapons are naval ver-sions of the Tomahawk cruise missiles, scrapped under the 1987 treaty on land-based Intermediate Nuclear Forces.

The removal enables the US to maintain conventionallyarmed cruise missiles at sea. These were used with spectacular success during the Gulf war and are another area of clear US technical superiority. The US approach bypasses Soviet demands for negotiations on arms control at sea, which Washington has steadfastly resisted

Both the US and Britain propose to remove anti-submarine nuclear depth bombs, which posed a severe contamination risk if ever used. In addition. improvements in non-nuclear weapons have rendered their value questionable.

The proposal to negotiate the elimination of land-based strategic missiles with multiple warheads is aimed at weapons such as the Soviet SS-18, already due to be sharply cut back under the Start treaty.

Based in silos, these are considered the most "destabilis-ing" of strategic weapons. They would be at the top of the other side's list of targets. As one US official put it: "One or two of our warheads can take out 10 of his." The temptation would therefore be to launch

them as soon as possible. At the same time the US aims to halt the arms race in less vulnerable mobile missiles on land. It is scrapping its plan, the subject of long controversy, to deploy up to 50 of its latest MX Peacekeeper missiles on railway tracks, and is asking the Soviet Union to abandon its counterpart, the

Questions remain over airborne tactical weapons

PRESIDENT Bush's arms initiative raises crucial ques-tions about tactical nuclear missiles carried by aircraft that both the US and Britain

plan to deploy in Europe, writes David White.

The missiles would replace obsolescent hombs. US air-launched missiles would be the last surviving US tectical nuclear system once army shells and short range missiles are scrapped and nuclear cruise missiles at sea are removed. Ground-launched nuclear missiles of intermediate range have already been eliminated.

Both the US and Britain are committed to keeping their programmes for a tactical air-to-surface missile (TASM). Mr Bush promised to "preserve an effective air-delivered nuclear capability in Europe", saying it was essential to Nato security.

However, the US has simultaneously cancelled a nuclear version of Boeing's Short-Range Attack Missile, a derivate of which - known as SRAM-T - was its main candidate for the TASM mission. It was also a leading contender for the UK's TASM.

The decision, which followed technical setbacks, came amid growing doubts about the willingness of continental European allies to accept TASM

Both the US and the UK will now have to study alternative weapons. One UK option is an air leunched nuclear mietile :-Air Sol Longue Portée (ASLP) -- but that would be more expensive than purchasing a US Wesson.

Mr Tom King, UK definite secretary, made clear at the weekend that neither the since of deploying a new missile nor Britain's Trident strategic deterrent programme would change. The only direct impact on British forces would be the long-awaited scrapping of Lance missies and artillery shells, which are deployed with British and other Nato forces. and the UK's decision to follow

and the UR aggreen to make the US by removing nuclear depth charges from ships. However, many analysts question the usefulness of continuing with sub-strategic weapons as a deterrent against a conventional attack, now the fear of Nato being overwheimed by Soviet conventional whelmed by Soviet conven-

tional forces has recoded.

The military argument for TASM is its flexibility. It is seen for instance as a messe of deterring Third World countries that might have devaioped a crude nuclear wes thout resorting to the threat of nuclear annihilation.

Gen John Galvin, Nato's supreme commander in Europe, said recently the ques-tion of TASM will have to be debated". He added: "If we don't have TASM it will not be because I said we don't med

'Incentive' for Soviets

PRESIDENT George Bush's proposals for radical nuclear arms cuts are designed to give the Soviet Union an opportu-nity to convert its economy away from defence production. US officials sald yesterday, writes George Graham in

Mr Richard Cheney, the US defence secretary, said the US cuts offered the Soviet Union a chance "to free themselves of the expensive drag on their economy which they do not need and cannot afford".

Since the failure of the Soviet coup in August, US offi-cials have warned against precipitate action, noting the con-

tinuation of massive Soviet spending on military equip-

Mr Chency cautioned a month ago that the collapse of the Soviet economy could create famine, labour strife and massive refugee flows. He said then that this instability made it imprudent to cut the US defence budget too

This weekend, however, he said that he and General Colin Powell, chairman of the US joint chiefs of staff, believed that this same economic collapse would oblige the Soviet Union to slash its own defence

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Paris avoids commitment to trim arsenal

FRENCH President François Mitterrand has warmly welcomed the latest US nuclear disarmament proposals, and has announced that the leaders of the four powers with nuclear weapons in Europe – US, France, Britain and the Soviet Union – will soon hold a summit, Ian Davidson

But the French government has made clear that it does not yet consider itself

EC

ENERGY

MONTHLY

under an obligation to offer any new reduction in its nuclear arsenal, whether unilateral or multilateral, and that the only purpose of the four-power summit would be to discuss the control and secnrity of nuclear weapons inside the disinte-grating Soviet Union.

When Mr Mitterrand first put forward his proposal for a four-power nuclear sum-mit last month, it was greeted coolly by

Gen Colin Powell, chairman of the US Joint Chiefs of Staff, with the main points of President Bush's nuclear arms proposals

the US, and criticised by some in Germany as yet another attempt by France to seek a privileged role, by virtue of its nuclear status Mr Mitterrand greeted the plan put for-

ward by US President George Bush as "a real turning point", and said France would be ready to join the nuclear disarmament process the day the two superpowers had substantially reduced their arsenals

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Creating stable institutions may be impossible Tiesc

MR Ion Iliescu, the Romanian president, yesterday continued negotiations with the country's main political parties in an attempt to form a broad-based coalition government.

But the credibility of the president - and of most of the opposition parties - is now so weak, following last week's riots by miners, that it may be impossible to create stable democratic institutions in the near future. In addition, the prospects for introducing eco-nomic reforms appear remote.

Mr fliescu's position has been greatly weakened on two fronts. First, by caving into the miners' demands with prom-ises of higher wages, a freeze on prices and an end to austerity measures, he has come down on the side of the conser-

Salvation Front. Second, because he has gone back on his promise to visit the Jiu Valley mines today, miners' leaders are likely in the near future again to demand

"Mr Iliescu is now beholden to the miners, and to those hardline political forces which led them to Bucharest," one Romanian sociologist said yes-

Because he is in debt to the miners - although they falled this time to topple him - Mr

this time to toppie him — Mr lifes time to toppie him — Mr lifes time to toppie him — Mr lines a coalition government to bolster his credibility.

The problem is that the opposition itself is too weak and too discredited to press

ahead with any significant reforms or maintain stability. This was clear throughout congress of the opposition National Peasants party, (NPP) which won 4 per cent of the vote and 12 seats in last year's elections, delegates invited the

miners to the congress and actually applauded them.

"I do not understand this party," said Mr Ion Ratiu, the president of the NPP's parliamentary group, who last year returned to Romania to run for the presidency, after many years in exile. "Do they not see that it was those very miners who, in June 1990, at the invitation of Riscont account Prince 1990. tation of Iliescu, came to Bucharest and ransacked the oppo-sition's political headquarters? This is madness," he said in an

interview yesterday.

Mr Ratiu added that his party would not join any coalition government unless that government consisted only of opposition parties and techno-

The National Liberal party (NLP) and the Civic Alliance an umbrella movement consist-ing of liberal intellectuals and student leaders - also refused to distance themselves from the miners. One NLP member, who saw miners ransack his offices last year, yesterday said: "We wanted to see the end of the Petre Roman government and the fall of Iliescu. So did the miners. Our inter-

Two parties to emerge rela-tively unscathed after the riots are the Democratic Party of Hungarians in Romania, the second-largest party, and the youth wing of the NLP, led by Mr Dinu Patricio.

But when Mr Patricio criticised the miners on the grounds

Milosevic link with Yugoslav army revealed



mining the country's fragile democracy, he was immedi-

ately accused by the media of being in the pay of the Securi-

tate, the former secret police.
"There are no winners after

said a western diplomat. "But the greatest losers are the tech-nocrats, who now believe that

authority to introduce

lliescu can create a govern-ment able to continue with the

reforms and at the same time ensure some kind of stability.

Mr Teodor Stolojan, who under Mr Roman was in charge of privatisation, was yesterday asked to form a new government. "Hiescu thinks this will reassure the west," said Mr Alin Teodorescu, a member of the small liberal/intellectual Group of Social

intellectual Group of Social

But if Mr Stolojan - who

earlier this year criticised Mr

Roman for going too slowly with the reforms – attempts to move Romania forward, his

own political future may well

It is hard to see how Mr

last week's fresh violence,

Serb leaders in Bosnia

MR Slobodan Milosevic, president of Serbia, has played a key role in co-ordinating fed-eral military operations in Bos-

eral military operations in Bos-nia Hercegovina and Croatia, Vreme, an independent Bel-grade weekly newspaper, reported yesterday, writes Laura Silber in Belgrade.

The revelation came as six people were reported killed and more than 80 injured after weekend clashes. The Interna-tional Red Cross was forced to pull out of Croatia after one of pull out of Croatia after one of ms was shot at.

Croatian radio said the Croat-controlled town of Nova Gradiska was hit by mortars shells and rockets yesterday. Bosnian radio reported that Croat forces fought with army units around the barracks in Bielovar, northern Crostia A transcript of a conversa-tion obtained by Vreme shows

Mr Milosevic is working with Serb leaders in Bosnia, in a plan codenamed Ram, to carve out a Greater Serbia with the aid of the army. General Nikola Uzelac, com-

mander of the Banja Luka Corps, yesterday ordered the general mobilisation of the entire fighting population in north-western Bosnia, despite warnings from the Bosnian government that mobilisation would ignite a civil war among the republic's Slav Moslems, Serbs and Croats.

Yesterday's mobilisation fits in neatly with the transcript of the conversation between Mr Milosevic and Mr Radovan Karadzic, head of Bosnia's Serbs. Mr Milosevic guaranteed that Mr Karadzic could rely on Montenegro, a close ally of Serbia, for armed support. Mr Milosevic is quoted as

saying: "Get in touch with Uzelac. He'll tell you everything, but if you have problems get in touch with me... Don't worry, you'll have everything, we are the strongest. While we have the army they can do nothing. the army, they can do nothing

Mr Karadzic replied: "That is fine... What about the bombardments?" "Today is not a good day for aviation, because there is a session of the European Community," said Mr Milosevic, who has repeatedly denied Serbia is involved in fighting in Croatia. But the transcript shows that Serbia is involved in supporting the uprising by Serb insurgents in Croatia.

gents in Croatia.

The publication follows an announcement by Mr Ante

Markovic, Yugoslav prime min-ister, two weeks ago who said

talks by the two leaders. It appears that Mr Markovic him-self may have leaked the tran-script to Vreme. The army has been hard hit

by the Croatian blockade of federal barracks, mass desertions by Serb reservists and heavy casualties. Croatian radio said yesterday the army Split, the second-biggest Croatian port, apparently in preparation for withdrawing from

the barracks.

Last week the army with drew from Vinkovci, a key eastern Croatian town, and several barracks in Croatia's Adriatic ports.

The army's move gest it is working to conquer a contiguous tract of land which includes parts of Croatia and Bosnia, to form a Greater Serbia with Montenegro.

Slovak referendum urged

Czechoslovaks, anxious not to see their country split, signed a demanding a referendum to decide the issue of Slovak secession, Renter reports from

Prague. Organisers said 50,000 people a day signed the petition in Prague's Wenceslas Square from Friday to yesterday, and claimed to have gathered more than 300,000 signatures throughout the Czech republic.

the larger of Czechoslovakia's two constituent parts.
Slovaks, in the eastern third of the country, have been demanding greater autonomy or independence since the end

of communist rule in 1989. President Vaclav Havel last week threatened to resign unless the wrangling over Czechoslovakia's future was decided soon and called for a referendum this year, a demand rejected by many lead-ing Slovak politicians.

Plea on Ukrainian war criminals

A LEADING Jewish Nazi-hunter said yesterday he had asked the Ukrainian gov-ernment to show greater cau-tion in rehabilitating alleged LEADING Jewish war criminals, Reuter reports from Moscow.

Mr Shimon Samuels, European director of the Simon Wiesenthal Centre, was speaking on the 50th anniversary of the start of the Babi Yar mas-sacre in which 200,000 Jews, Poles, Ukrainians and others were killed just outside Kiev during the Nazi occupation. He was told in Kiev that 46,000 Ukrainians, condemned by the former communist authorities, had been rehabilitated since an amnesty was approved in April.

Four thousand applications had been rejected on grounds of collaboration with invading Nazi forces, espionage or trea-

Mr Samuels, who met Ukrainian deputy prime minister Sergei Komissarenko and other he was unhappy at the speed of

He was also alarmed at the appearance of memorials, espe-cially in western Ukraine, hailing members of the Galicia Division and other Ukrainians who sided with the Germans against Moscow as indepen

dence heroes "They have legislated a rehabilitation law," he said. "Why can't they get these statues down equally quickly?"

Soft drinks venture wins approval from Brussels

By Andrew Hill in Brussels

THE European Commission. by approving a German soft drinks joint venture, has indi-cated that joint ventures which pledge to retain a meawhich pledge to recain a mea-sure of independence from their parents will be regarded favourably by the Brussels merger control authorities.

Brussels waved through the formation of a joint venture between Apollinaris, a German mineral water group, and the German subsidiary of Cad-bury Schweppes, the UK food selves and between the parent companies and the new group,

Apollinaris & Schweppes.

The Commission decided the joint venture – which will help improve Apollinaris' international distribution and Schweppes' position in Austria

But both companies gave an undertaking that the joint venture would not discriminate when treating inquiries from customers are still likely to though at first glance it have a choice of products from restricted competition between both parents, and from the

the parent companies them-Dutch stand firm on works councils

By David Goodhart, recently in Maastricht

directive on mandatory European works councils for provid-

pean works councils for providing information to employees. The UK government is alone in its fight against this.

Mr Bert de Vries, the Dutch employment minister, told a conference on works councils in Masstricht, organised by the European TUC, that the directive — which applies to larger companies operating in more than one EC country — would probably go before the Council of Ministers on December 3, just before the Maastricht sumjust before the Maastricht sum-

mit on political union. Mr Norman Willis, head of the British TUC and ETU president, also told the conference that, if the British government abused its veto on this "vital aspect of social Europe", it would increase pressure for more EC decisions to be subject to majority voting. An extension of majority voting will be discussed at the Maastricht summit and is opposed by the British, especially in

Mr Willis also strongly con-

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THE Dutch government is determined to force a decision before the end of this year on the European Commission's demned a compromise proposal on the works councils directive floated at the conference by Mrs Martine Aubry, French labour minister. She proposed the directive be stripped down to rights to information and that the establishment of consultative councils be dropped. This, however, would probably fail to satisfy the objections of the British government and

> ers body, which is this week expected to submit its own proposals for non-mandatory con-The French compromise would also cause the German government to vote against the directive, according to Mr Horst Günther, a state secre-tary in the Bonn Labour Minis-

UNICE, the European employ-

try, on the grounds that it would have been watered down too far.

The final draft of the directive, which was passed by the Commission earlier this month, includes a few minor changes which will make it even less palatable to the Brit-

ish and employers. Previously, companies affected by the requirement to consult through works councils were those with more than 1,000 employees operating in at least two PC countries and least two EC countries and with at least 100 employees in one establishment in the "foreign" country. In order to include service companies, such as hotels, the requirement that the 100 employees be gathered in only one establish-

ment has been dropped.

The nature of the information that employers will have to provide has also been made more specific, in particular relating to mergers and closures. Another late amendment hints that the 1,000-employee threshold will be reduced when the procedure is

reviewed after five years.

The directive has been inspired by the growth in EC corporate mergers in the past decade and the belief that workers, especially outside the mother country, need similarly international bodies to retain a corporate identity. The directive applies also to non-EC companies operating within the EC.



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Flemish party quits Belgian coalition

By Andrew Hill in Brussels

THE government of Mr Wilfried Martens, Belgium's long-serving prime minister, yesterday survived a crisis pre-cipitated by tension between the country's French and Flemish-speaking communities. But it lost one of its five coalition partners.

The moderate Flemish nationalist grouping, the Volk-sunie, withdrew from the coalition and its two ministers resigned after failing to agree on a compromise over arms

Volksunie's withdrawal is likely to weaken the govern-ment ahead of the country's next general election, due in January. It leaves the Chrisparties - two from each language group - in power, but deprives the government of the two-thirds parliamentary majority necessary to push through Mr Martens' pro-gramme of constitutional reform and devolution to the regional authorities.
The Volksunie and the Flem-

ish Socialist party had wanted to block exports of arms to Gulf states, including Saudi Arabia and the United Arab Emirates. The move was based on pacifist principles but would have struck at the heart of the struggling Belgian arms industry, most of which is in French-speaking Wallonia.

In return, Francophone min-isters had threatened to hold up contracts from the state telecommunications company which would have benefited mostly Flemish suppliers.

After an emergency cabinet meeting yesterday, only the Volksunie ministers dissented from a compromise which will temporarily have allowed Flemish and French-speaking ministers to grant arms export own regions.

Cuba curbs assailed Mr Manuel Fraga, Spain's leading right-wing politician, said over weekend that US economic sanctions against communist-ruled Cuba were unjustified and might even contravene international trade regulations. Reuter reports.



Former French President Valery Giscard d'Estaing plays an accordian with protesters from the provinces yesterday

FARMERS INVADE PARIS IN PRICE PROTEST

TENS OF thousands of French farmers invaded Paris yesterday in protest against falling prices and further steep price reductions scheduled in planned reforms of the European Community's Common Agricultural Policy, Ian Davidson writes. Unnerved by the farmers' growing anger, the government has multiplied assurances of moral and financial support. On several occasions, government ministers, and even President François Mitterrand himself, have been harassed by local farm

At the end of October the government

als in Brussels to the plan tabled by the European Commission, which would cut market prices by 30 per cent.

The farmers' protest march in the capital, which follows on a wave of more or less violent local demonstrations, some directed against trucks carrying imported meat, has been seized on by leaders of almost all the opposition parties as a vehicle to launch their own campaign against the government.

Former President Valéry Giscard d'Estaing, leader of the centre-right UDF group, Mr Jacques Chirac, leader of the right-wing Gaullist RPR party, Mr Jean-

Marie Le Pen, leader of the extreme right wing National Front, and Mr André Lajoinie of the Communist party, all took part in the march, from the Place de la Nation to the Place de la Bastille and back. The march was a first for Mr Giscard d'Estaing.

In a joint communique on the eve of the demonstration, the UDF and the Gaullists proclaimed their support for the farmers, and demanded that the French government adopt a "very firm position in the negotiations in GATT [the Uruguay Round and on the reform of the Commo

Tribunal starts Irish beef industry hearings

PUBLIC hearings in Ireland's Tribunal of Inquiry into the Beef Industry are due to start today, raising the possibility of further embarrassing revela-tions for the already hardpressed government of Mr

Charles Haughey.

The tribunal is investigating allegations of fraud, malpractice and political favouritism in the beef processing industry. The allegations were originally made in the Irish parliament

earlier this year and by a Brit-Goodman, has denied the accuish independent television programme broadcast last May. They focus on the activities

of Goodman International, the privately-run beef processing group which is Europe's biggest meat processor. Goodman has been accused of falsifying stamps, weights and classifications, interfering with docu-mentation and abusing export credit Insurance. The company, headed by Mr Larry

and was set up in June. The

The inquiry is being chaired by Mr Justice Liam Hamilton, president of the high court, tribunal has received scores of written submissions from politicians, government officials, veterinary inspectors and meat workers in the processing plants.

The inquiry could prove damaging for Mr Haughey's government, if it turns out that Department of Agriculture officials failed to take action when the complaints were made. A further claim alleges allegation involves whether political favouritism was given to the Goodman group in the alloca-tion of export credit insurance

in 1987, for beef exports to Iraq. The Goodman group ran into financial difficulties in 1990; it currently owes some 1£500m (£458m) to a group of 33 banks.

Italians put off the day of budget reckoning

Haig Simonian reports on a compromise package

today, will indicate one of the most serious economic challenges in the country's post-war history.

Last week's annual survey

by the Organisation for Economic Co-operation and Development warned that a combination of high inflation, high unemployment and a massive budget deficit was putting Italy increasingly out of line with its main competitors.

Predictions of disaster for the Italian economy are regu-lar: both immediately after 1945 and during the inflationary, terrorism-ridden 1970s, recovery seemed virtually inconceivable. Now, the government truly appears to have its back to the wall, as its room for manoeuvre is more circumscribed. Italy needs large struc-tural economic reforms but lacks the political will.

Financing Italy's vertiginous budget deficit is the crux of the close to bringing down the Christian Democrat-led coalition of Prime Minister Giulio

The latest forecast is for a L145,000bn (266.4bn) deficit this year, against a L132,000bn target. The deficit now accounts for more than 10.5 per cent of gross domestic product. On paper, today's budget proposals should allow the government to claim that the primary defi-cit – the deficit net of interest payments - no longer exists, a substantial achievement.

But that will only come about thanks to one of a regular sequence of tax amne this year promising to be big-ger than ever. The government is also relying on advance payment of some property taxes due next year. These two measures may help reduce this year's deficit, but it means the 1992 shortfall, deprived of expected tax receipts, will be a massive L190,000bn unless sim-

ilar action is taken again.

The EC has urged the government to purge public spending, crack down on tax eva-sion, reduce subsidies and embark on a substantial privatisation programme. However, elections due within eight months mean that none of these courses is likely to be pursued vigorously.

Agreement among the four partners of the Christian Democrat-led coalition appeared to be a delicate baiance between medest curbs on public spending and new revenue raising measures. Robert Graham writes from Rome. The main aim has been to hold the public sector deficit down to L127,000bm (258bm) by find-

ing L55,000bn. The compromise has avoided any serious attempt to introduce structural reforms to tackle Italy's huge public sector deficit. But this has been the price for maintaining the seventh government of Mr Guilo Andrectti and avoid series Andreotti and avoid early elections. The main cuts are exnec

ted to come from pruning national health service expenditure and increased prescription charges. Mr Andreotti has been unwilling to force the controversial issue of raising the pension-

able age.
Public sector wages, which
have been rising at double
those of the private sector in the past two years, are expected to be held down to 4.5 per cent next year.

Three main deficit-cutting measures are still pending:
• Pension reform. Talks on cutting the spiralling cost of pensions have been mired in party-political bickering. although a compromise may now have been reached to raise the pensionable age to 62 for men and 60 for women (from 60

and 55 respectively).

• Wage talks. Discussions between the government, unions and employers on reducing wage costs and reforming the scala mobile pay system, which partly links pay to inflation, have just restarted after the summer break, but the positions look as far apart

• Privatisation, Only two big sell-offs are in the works. But much of the proceeds from both the sale of Crediop, the iong-term credit institution, and the Istituto Mobiliara Italiano financial services group are likely to be used to shore up other state industries. Part

of the receipts from seiling that are already earmarked for recapitalising Banca Nazionale del Lavoro, the Treasury.

owned bank. The need to out the deficit has intensified now that the Italian economy is moving towards recession. But the govbecause it must keep interest rates high in relation to its main rivals — Germany and France — to attract savers to invest in its bonds. Yet high interest rates have execurbated the current downturn. Growth fall to 2 per cent last year, the lowest since 1988. In the first quarter of this year, the 0.7 per cent increase in GIPP over the same period last year was the lowest in a decrete.

inwest in a decade.

A string of poor interim company results from the corporate sector last week shows recession to beginning to bits.

The car maker First announced beginning better announced. sharply lower profits and starply lower profits and unemployment, which at just under 11' per cent is about twice the CHCD gourage, looks set to climb.

Inflation remains stubbornly lodged at 6 to 7 per cent — well about of the government's

longed at 8 to 7 per cent — well ahead of the government's unwardly revised 5.8 per cent target for the end of this year and its 4.5 per cent goal for the end of 1992. Unit labour costs are increasing at about 11 per cent a year, raising industry's concern about declining compatitionness.

Before the creation of the 1979, the way to address declin-ing competitiveness would have been to let the lira alida. By regular devaluations, Raly kept pace with the rest of Europe, despite relatively high inflation and wags costs. But the EMS imposed new disci-plines. Since January 1967, the crucial lira-D-Mark exchange

rate has been stable.

A surprise uptarn in growth may yet postpone the crunch. The OECD has forecast an optimistic 2.5 to 3 per cent growth rate next year, though many economists think Italy will do well to achieve 2 per cent. But only an adequate political response will help italy over-come its prefound structural economic imbalances. So far, there is little sign of it.

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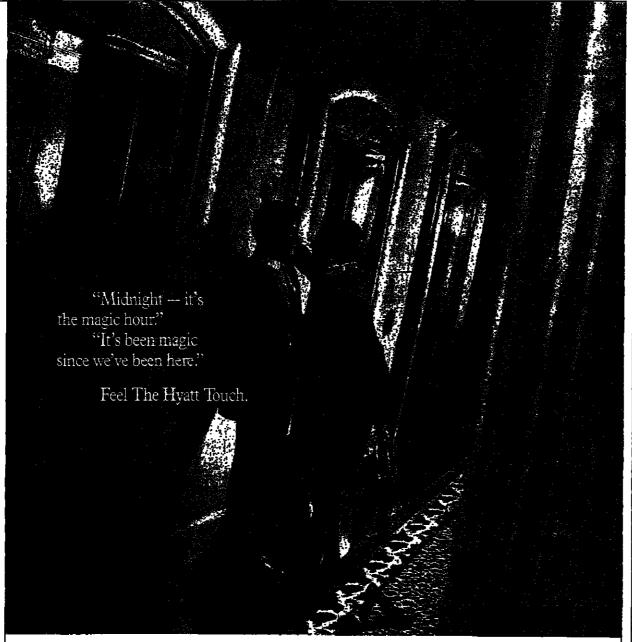
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Offers must be submitted by 30th October, 1991 to the Agricultural Bank of Greece. Further information may be obtained from:

> AGRICULTURAL BANK OF GREECE Privatisation Unit 23 Panepistimiou Street, ATHENS 105 62 Tel: 01-329 8723, 01-329 8353 Fax: 01-329 98706

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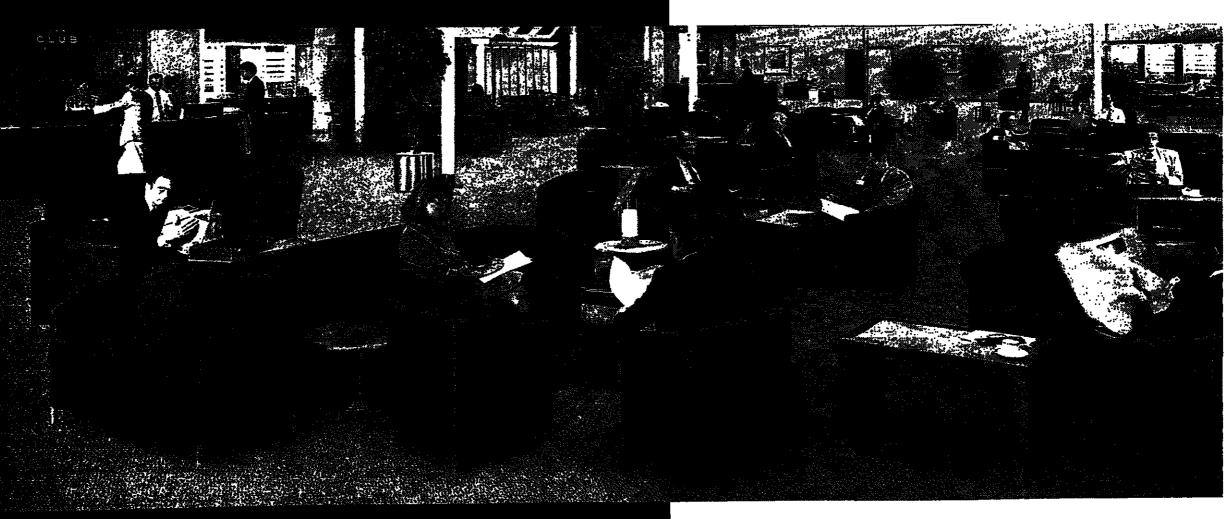
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UN team resumes arms inspection in Baghdad

A UN nuclear weapon inspection team which spent four days confined to a Bagh-dad car park resumed its mission yesterday without incident, Reuter reports from

Team leader Mr David Kay said the group spent the day inspecting four locations in the Baghdad area. He declined to identify the sites, saying they would be inspected further. "It was another day of inspection, it went well. No problems," he added. "We had full access to all sites, no prob-

It was the first day that inspections by the 44-member group, in Baghdad for a week, had not run into problems. On Monday, the team was held for five hours before docu-ments it had seized were forci-

lems in copying documentation

bly removed. A similar confrontation began on Tuesday and led to the group being penned in a car park refusing to yield the papers.

The standoff ended early on Saturday with the group permitted to keep further records it had taken provided a joint inventory was made with Iraqi officials. That inventory was completed on Saturday evening and Mr Kay said all those documents had now been flown out of the country. He said the documents gave valuable evidence of Iraq's procurement overseas of nuclear materials and knowledge and an exten-sive view into "the actual weapons development side of

the programme".
They consisted of 5,000 pages of records, 19 hours of videotapes and 3,000 photographs.

Mr Kay was asked about a been only two months away from making a nuclear bomb.

He said such a time-frame would surprise him. "The timeframes that seem reasonable. we have said, was that the uranium enrichment process was about 18 to 24 months away from full-scale, large-scale pro-duction of the essential ingredient for one bomb design. A biological weapon investi-

had also spent a routine day of inspections with full co-operation from the Iraqis. Team leader Mr David Huxsoll said no evidence of biological weapon manufacture had been found.

gation team also in Iraq said it

Mr Kay's team is expected to leave for Bahrain, field headquarters of all the weapon But this time the economy has been plunged into almost irretrievable tur-

Zaire hovers on brink of disintegration

The national unity government must restore credibility, writes Julian Ozanne

AIRE, Africa's second larges: country, is poised on the preci-pice of disintegration.

Last week there were riots in Kinshasha, the capital, in Kisangani and the southern towns of Lubumbashi and Kolwezi in Shaba province (formerly Katanga). French and Belgian paratroopers were flown in to evacuate westerners and restore order, there was secret diplomatic power play by Washington and Paris and European women were raped by mutinous Zairean soldiers. The events are all reminiscent of a slightly distant past in the former Belgian Congo which many people hoped were buried in the history books. Many of the players, places and events are the same as during the two previous periods of national upheaval in Zaire - the uprisings and foreign intervention in Katanga, Kivu and Stanleyville (now Kisangani) between 1960-65 and the 1977-79 Shaba rebellion, resolved after decisive military intervention by French paratroopers.

moil. The collapse of the country is a real threat and President Mobulu Sese Seko, one of Africa's longest serving dictators, is no longer seen in the West as a force for unity and stability.

Instead France, the US. Belgium and Germany are openly looking for a peaceful exit for the former army sergeant-major turned marshal president and billionaire which will preserve the unity of a country rich with mineral resources and vital to the stability of the entire Central African region.

The agreement in principle over the

weekend between Mr Mobutu and II

pro-democracy opposition parties to form an emergency government of national unity marks a crucial first step towards curtailing the president's dictatorial and capricious powers and preparing an end game to his 26-year rule. The government, to be lead by Mr Etienne Tshisekedi, the veteran leader of the opposition Union for Democracy and Social Progress, is a vital prerequi-site to wirning the credibility necessary to restore the confidence of internaHowever, any political transition depends on the president accepting the necessity of sharing power immediately and preparing to stand down after a short transition period. Mr Mobutu could still act as a spoiler and preside over the destruction of the country he has twice saved from the precipics of self-destruction

Descried by his traditional western allies, his capital devastated after six days of looting, his army in open revolt, foreign investors ruined and on the run, the important copper and cobalt mines closed, and people calling for his head it seems almost inconceivable that Mr Mobutu is still clinging to power.

Few believe he can survive much longer, certainly not with the power he has exercised since, as chief-of-staff of the army, he declared the Second Republic in November 1965 after five years of post-colonial crisis.

A key to his continued exercise of power is that many foreigners and Zat-reans believe in the myth he has so successfully cultivated that the country will disintegrate into secessionist tribal-

hased republics if he goes.

Any government coming to power in the next few days will need wide-ranging powers, previously held excitatively by the president, to restore law and order, discipline the mutinous factious in the army, make emergency plans to resuscitate the wracked transport and food distribution system and embark on a crash programme of ecceomic reform. While significant fursign sid might flow to a broad-based government committed to the rule of law, democracy and economic liberalisation, it will be nearly impossible to fulfil the high expectations of the impoverished urban population, desperate with the tumbing purchasing power of their income, at a time when austerity measures are called for. called for.

called for.

"Zaireans have seen the destruction of the country," said Mr Tshisekedi.

"It is impossible to satisfy expectations immediately but the people realise that after 26 years of bad management it is necessary to go Rittle by little and we will govern transparently with the people."

VAT strains S Africa's hopes of political peace

OUTH Africa today and political groups – have by the ANC if it is not consumer a new taxation era, with Value Added Tax ernment under the umbrella of The peace accord is de factor (VAT) to be levied at 10 per cent, replacing General Sales Tax (GST), which was levied at 13 per cent, as a consumption

The change comes amid countrywide protests against the tax and the prospect of sus-tained mass action from those opposed to its implementation.

Despite the intervention over the weekend of President FW de Klerk and Mr Nelson Mandela, leader of the ANC, the government and those opposing VAT have been unable to agree compromise terms for implementing the tax. The government, however, announced last-minute concessions by zero-rating various basic foodstuffs for a period of six

The episode has cast a cloud over the political outlook, which had been hopeful only two weeks ago when the government, ANC and Inkatha signed a ground-breaking peace accord. It is unlikely to derail the negotiation process, but it will clearly sour relations between the government and the ANC until greater con-sensus is achieved about the terms of VAT's implementa-

tion.
The irony of the episode, with last minute changes causing widespread administrative chaos, is that nobody disputes VAT's merits. The argument is about the way in which it has been implemented. Mr Cyril Ramaphosa, secretary general of the ANC, conceded last "The whole VAT matter is not about VAT any more but is about government trying to forcefully ram its will down

the throat of the people." Although a whole range of organisations — small business, trade unions, medical, velfare, consumer, religious cerned, any new government initiative is liable to be vetoed

the Co-ordinating Committee on VAT (CCVT), the muscle behind the opposition clearly comes from the ANC-aligned trade union movement Cosatu and the ANC itself. Cosatu's

ANC sees the tax debate as a way of pushing its agenda, writes Philip Gawith

leadership is planning a two-day general strike in November in protest against the move, as well as a boycott on all tax payments.

Yesterday the ANC described the tax as "a major part of the government's restructuring of the economy. The intention is to entrench white privilege and the control big business has over economic life." It added that it would not accept that the government "can dictate the economic restructuring of this country and their attitude leaves the ANC in doubt concerning their real commitment to the process of bona fide negotiations ahead of us."

The point about these judgments is not so much whether they are correct - they do an injustice to the government, which has been consulting on the details of the tax for over a about the ANC. First, the argument over

VAT is clearly an attempt by the ANC to move forward the issue of an interim govern-ment; as far as the ANC is con-

recognition that the government is no longer running the security forces alone. The ANC wishes to extend this principle to the running of the economy

Whether the ANC/Cosatu is ready, willing or able to take joint responsibility for managing the economy is a moot point. Mr Barend du Plessis, minister of finance, thinks not. He accused the CCVT last week of "a disturbing lack of grasp of both domestic and international fiscal and financial matters"

Certainly, VAT's opponents seem not to have weighed the fiscal implications of diluting the tax base. Already government spending is seriously overstretched, with the deficit before borrowing and debt months of fiscal 1992-2 equivalent to 85.6 per cent of the total projected deficit for the fiscal

year as a whole. Second, the VAT debate has shown that the ANC is ill at ease with the institutions and practices of market economies. It regards big business with suspicion and fear, nor is it keen on the International Monetary Fund. That Mr Mandela has chosen

three times within the last month to reiterate the ANC view that it would nationalise banks and mines if it came to power seems to confirm that the ANC is clinging to its old views of economics.

Although the government has made various concessions late in the day, setting aside the relatively small sum of R220m (£44.8m) for poverty relief - the South African Chamber of Business recommended R1.2bn - has made it much more vulnerable than it needed to be on other aspects of the tax.

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in Index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production abow the perc



A thousand protesters holding pictures of Chinese dissidents Chen Ziming (left) and Wang Dan rallied in Hong Kong yesterday demanding their release from jail.

Brazil sets new date for privatisation

THE Brazilian government has set a new date for the start of its privatisation programme after its first attempt at a state sell-of collapsed on Tuesday, Christina Lamb reports from Rto de Janeiro. The sale of Usiminas, the country's largest steel mill, was suspended at the last minute amid scenes of chaos, with lawsuits in three courts debating its legality and union members throwing eggs at potential investors attempting to enter the Rio stock exchange to bid.

The auction is now planned

for October 15 but much uncer-tainty remains, causing falls of 10 per cent in the Braxilian stock market and in the price of Brazilian debt on the sec-

ondary market. Mr Eduardo Modiano, who is heading the belonguered privatisation programme, said: "The unfortunate events of this week have strengthened the programme, as public opinion is very much on our side." He added that he hoped investors

Algeria devalues dinar

tightly state-controlled economy, Fran-cis Ghilès writes from Algiers. The dinar had already lost over half of its value since the autumn of 1989.

The Banque d'Algérie, the central bank, has so far succeeded in maintaining a tight monetary policy which has prevented inflation, officially estimated at an annual rate of 20 getting out of control.

uation will put further pressure on already hard-pressed husinesses, which will see the cost of imports rising sharply. Pressure will also increase on

THE Algerian dinar was devalued by 22 per cent yesterday, part of the country's continuing efforts to liberalise its chasing power for poorer Algerians.

Although the International Monetary Fund, with which Algeria signed a sec-ond agreement last May, has said it wishes to see subsidies on staple foodstuffs cut further, it has also said devising a safety net was a vital pre-condition to such a policy.

 The state of emergency imposed after the riots last June were lifted yesterday. Two days earlier the provi-Front (FIS), Mr Abdelkader Hachani, was arrested. He will join, in prison, the two main FIS leaders. Mr Abassi Madani and Mr Ali Benhadj, who have the government, led since last June by been awaiting trial, along with over Mr Sid Ahmed Ghozali, to devise an 800 of their supporters, since last June.

Savimbi back in Luanda

MR Jonas Savimbi, leader of Angola's former rebel Unita movement, returned to Luanda yesterday for the first time since the end of a 16-year civil war, Reuter reports from Luanda.

Thousands of followers gave the charismatic guerrilla chief a tumultuous welcome as he arrived in the capital three months after a peace settlement.

Mr Savimbi reached Luanda airport on Sunday morning after a tour of three southern cities – Huambo, Lubango and Lobito - where hundreds of thousands also turned out to greet him. Thousands of supporters waved, danced and sang under the eyes of heavily

armed security officers and police. imbi, in his traditional green military attire, stepped down from a helicopter

see change over the corresponding period in the previous year, and are positive unless etherwise

and was whisked off to Independence Square gardens to address a mass rally

later in the day.

Thousands lined the road to the rally which Unita officials expect to be attended by up to Im supporters.

To blaring music, Units supporters chanted "Savimbi is Our Father".

Mr Savimbi's US-backed National Union for the Total Independence of Angola (Unita) signed a ceasefire with end a bush war that broke out soon after the country gained independence from Portugal in 1975.

Unita is the main rival of the ruling Popular Movement for the Liberation of Angola (MPLA) in the first multi-party elections in 16 years scheduled for between September and November 1992.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

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	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	96,6	100.0	100.0	7.2	100.0	104.2	100.0	100.0	10.2	100.0	101.6	100.0	100.0	9.6	103.7	100.0		11.2	100.0	102.4	
	105.7	101.0	6.9	98.0	108.1	106.6	99.7	2.8	94.3	105.3	103.6	102.2	6.4	136.4	103.8	102.4	101.1	10.4	107.4	108.0	108.0	103.2	10.4	110.5	105.2	100.0 102.4	11.2 11.2	100.0 116.1	105.2	-
	108.3	105.9	6.1	105.2	110.0	113.8	103.1	2.8	108.3	115.3	107.4	102.5	6.2	149.4	104.9	104.5	103.1	10.5	118.0	107.4	113.8	106.8	10.9	112.7	110,7	105.7	10.3	141.2	109.4	
	112.2	111.6	5.4	106.3	114.5	122.9	112.9	25	135.9	122.8	110.6	106.2	6.2	164.7	111.2	107.9	107.3	10.0	134.6	1123	110.2	114.2	10.9	117.6	117.7	109.5	8.5	141.2 144.8	108.3	
i	114.7	114.5	5.2	99.6	113.4	133.0	119.9	23	147.0	126.3	113.7	111.4	5.6	218.9	114.1	109.6	111.2	9.4	159.3	111.8	117.9	118.7	10.9	115,9	119.9	109.9	7.1	124.2	106.0	
<u> </u>	114.2	115.7	5.4	84.5	109.2	142.2	125.3	21	149.7	124.1	122.9	117.2	5.1	260.6	114.7	110.1	112.5	8.9	163.2	104.9		117.9	9.8	112.2	120.4	109.2	6.9	97,9	102.5	
tr.1990	-1.2	22	5.5	83.6	111.8	7.6	5.9	2.1	146.4	124,9	13.1	5.6	5.0	264.1	115.7	~0.5	2.3	8.8	162.6	106.6		-1.2	9.8	114.5	0.6	-1.8	6.9	93.9	103.9	
tr.1990	-2.1	0.3	5.8	72.7	109.2	28	6.9	2.1	153.2	124.1	6.7	5.1	4.7	258.1	114.7	0.6	-0.3	8.9	146.9	104.9		-42	9.8	112.2	-12	-3.4	7.3	76.3	102.5	3rd qt
dr.1991	-3.8	-23	6.4	64.5	110.7	2.6	6.0	2.0	148.0	124.4	12.0	4.8	4.5	269.7	112.6	-0.5	0.5	9.0	130.3	105.1		- 1.8	10.0	113.2	- 0.7	-3.1	8.2	82.9	102.8	4th qt
qtr.1991	2.5	-28	6.7	63.0	1128	24	3.1	2.1	146.5	124.1	9.6	5.5	4.5	262.1	1123	- 1.4	0.1	9.3	127.5	106.8		-23	10.0	1126	-1.9	-5.9	9.2	64.6	103.5	1st qb 2nd qtr
ember 1990	-1.8	22	5.6	80.2	111.8	7.5	5.5	2.2	141.3	124.9	12.8	6.2	5.0	257.5	115.7	-1.1	22	8.8	159.7	106,6	-4.3*	-1.2	n.a.	114.6	-0.1	-24				
ber	- 1.2	20	5.6	76.4	110.2	2.5	8.0	22	157.8	124,3	8.8	6.2	4.9	254.8	115.2	4.2	. 1.4	8.9	154.5	105.4	7.0	-3.0	n.e.	114.3	-0.9	-23	6.9 7.0	89.8	103.9	1990 Septe
mber	- 1.5	0.2	5.8	70.7	109.5	3.0	6.6	2.1	148.2	123,9	8.8 9.8	5.5	4.7	257.3	115.2	-2.8	-0.6	8.9	146.5	105.0		-4.1	n.a.	113.6	-14	-3.6	7.3	80.9	103.5	0
mber	-3.5	- 1.3	6.0	71.2	109.2	3.0	6.1	2.1	153.7	124,1	7.4	3.6	4.6	262.2	114.7	0.6	- 1.6	8.9	140.0	104.9		-5.5	n.a.	112.2	-12	-4.3	7.8	75.1 73.0	103.0 102.5	Move
ary 1991	-5.9	-0.8	6.1	66.3	109.5	3.3	7.7	2.0	153.3	124,1	14.5	5.9	4.5	268.0	113.7	-0.3	1.3	8.9	134.4	104.7		0.0	n.a.	112.1	-1.5	-3.8	7.8	1970	1023	Degr
uary	-3.2	-2.6	6.4	64.3	110.0	27	6.9	2.0	148.5	124,4	10.3	4.0	4,5	267.2	113.4	- 1.6	1.9	9.0	127.5	104.8		-2.5	n.a.	112.2	-26	-22	7.0 R 1	82.3 84.1	101.9	1991 Ja
ah e	-21	-3.6	6.8	63.1	110.7	1.9	3.5	21	142.6	124.4	11,3	4.6	4.5	273.8	112.6	0.5	- 1.8	9.0	129.3	105.1		-29	n.a.	113.2	1.9	-3,4	8.5	82.2	102.2	Feb
i	-2.1	-3.0	6.5	62.7	111.0	2.1	3.8	2.1	152.6	124,2	9.3	6.7	4.5	276.8	112.3	0.4	0.0	9.1	126.5	105.6		-4.1	n.a.	113.8	-21	-6.6	2.0	71.8	102.8 103.4	3
	-14	-2.7	6.8	62.5	111.8	1.9	4.3	21	146.5	123,9	7.0	3.0	4.5	281.3	112.2	-20	0.3	9.3	126.9	106.1		-28	0.8.	113.7	-32	-6.0	82	71.6 63.3	103.4	
	-22	-25	6.9	63.7	112.8	3.2	1.1	2.1	140.5	124.1	12.7	6.7	4.5	285.4	112.3	-2.5	0.2	9.4	129.3	106.8		-0.1	n.a.	112.6	-0.4	-52	8.9 8.2 9.4	58.8	103.5	
_		- <u>22</u>	6.7	61.1	114.0		2.4	22	150.3	124.7	3.4	3.8	4.8	284.6	1120	3.0		9.5	132.2	106.6			n.a.		-0.5		97	56.5	104.1	
		-2.1					0.5							286.2									n.a.		-0.3		4.1	62.2	104.1	

Youth unemployment and employment, males aged 20-24 Activity rate % UK France (S 1980 82 84 86 88 90 1980 82 84 85 88 90 1980 82 84 86 88 90 likely impact of the Labour party's pledge

Youth 'non-employment' in Britain and France

manipulators of economic statistics; and unemployment rates are a favourite target. But comparisons of unemployment rates can be very misleading, even when they are not being distorted by unscrupulous officials. A prime example is the apparent similarity in the pattern of unemployment among the young in the UK and France over the past decade.

Youth unemployment, measured by the unemployment rate of males aged between 20 and 24, soared in both France and the UK in the early 1980s. It peaked in 1985 in both countries: at 20,7 per cent in France and 22.1 per cent in the UK. These unemployment rates are calculated by the OECD from labour force surveys and are relatively free from government tinkering.

Comparing youth unemployment rates in the UK and France has been a popular pastime in Britain in recent months. Whether or not France has a worse record of youth unemployment than Britain is central to the debate over the to introduce a minimum wage. Oppo-

GOVERNMENTS are notorious nents argue that the French minimum wage has depressed youth employment. Supporters of the minimum wage have taken heart from the fact that youth unemployment has fallen sharply in both

countries since 1985. True, it has fallen further in the UK than France. But 1986-1989 was a period of loose monetary policy and unsustainable growth in Britain, Meanwhile, France was suffering from slow growth as the economy exchange rate mechanism.

Yet the middle graph paints a very different story of the relative plight of young males in the two countries. The flip-side of the fall in the rate of youth unemployment in Britain since 1985 has been a rise in youth employment as a percentage of the total population of

males in that age group. In France, by contrast, the employment of young males has plummeted. By 1990 little over half of the French male population aged 20-24 was in employment, down from 74 per cent at the beginning of the decade. Youth unemployment was falling, but so was youth employment.

The reason for this apparent contradiction is that the youth activity rate - the percentage of the population that is in the labour force, whether employed or unemployed - has collapsed in France while it has remained roughly constant in Britain. In 1986 76.2 per cent of French males aged between 20 and 24 were in the labour force. By 1990 that proportion was more than 10 percentage points lower. Over a third of young French males were, therefore, "non-employed" either unemployed or out of the labour

force - compared to a quarter in Britain. What was the cause of this fall in labour market activity in France? There has not been a significant rush back to higher education by French males; and the French youth activity rate is now much lower than in countries where the number of young people in higher education has traditionally been higher, it was 84 per cent in the US in 1990 and 80 per

cent in Germany in 1987. The rise in youth inactivity in France is instead part of a more general rise in the number of "discouraged workers" France: people out of employment but

who are no longer seeking work, Discouraged workers are still able to register as unemployed and claim benefits and are therefore counted as unemployed by the government. But to be counted as unemployed by the OECD the individual must be both available for and actively seeking work.

The "discouraged worker" effect can therefore be measured by the amount by which the registered unemployment rate for a country exceeds the OECD's calculated unemployment rate. In France, this discrepancy was equal to 2.7 per cent of registered unemployment in 1986. By 1990 it had risen to 11.3 per cent.

One reason for the growth of youth non-employment in France has undoubtedly been the rise in the real value of the minimum wage. But this is only part of the story. For the level of vacancies has also been rising, as this week's table shows despite the persistence of high unemployment. The French unemployed do not, it seems, possess the skills that employers want.

commitment to free-market economics significantly by drawing up plans for the pri-vate funding of the Channel tunnel rail link - a proposal the Conservatives have abandoned, at least temporarily.

Proposals by Mr John Prescott, shadow transport secre-

tary, for changing Treasury rules to allow British Rail to rules to allow bridgh Hall to borrow privately against its own assets have been agreed in principle with Mr John Smith, shadow chancellor of the

snauow chancentor of the exchequer.
City consultants and potential investors are advising the party on how a financial package for the rail link might

The move, which marks a further ideological shift by Labour away from strict reli-

NEWS IN BRIEF

EAST EUROPE: Britain was urged to take the lead in initiating a new "Marshall Plan" to provide large-scale economic assistance for the previously assistance for the previously Soviet-dominated eastern bloc, in a statement issued by Labour's national executive. It called for a programme to help the long-term economic

transformation of both the Soviet Union and the countries of eastern and central Europe. In a sideswipe at Mr John Major, the prime minister, cur-rent chairman of the G7 group of leading industrial countries, the statement condemned its "negative" attitude.

It arged the seven countries and the European Community to act urgently in a co-ordi-nated and imaginative manner. Labour leaders emphasised the need to organise the provision of emergency food aid for the Soviet population to help to avoid severe food shortages and economic and political instability.

That meant working both through Moscow and with the individual republics in the Soviet Union, and with local authorities and trade unions.

• TECHNOLOGY: A "Great Exhibition" of British scientific achievements would by organ-ised by a Labour government, Mr Gordon Brown, the party's trade and industry spokesman,

will amounce today.

He sees the proposals as akin
to the 1851 "Great Exhibition" or the 1951 Festival of Britain. The aim would be to promote British innovations in scientific and environmental fields.

Mr Brown will call for measures, to promote manufacturing and to stop the "brain drain" of scientists working abroad

> • CANDIDATE SELECTION: Mr Ashok Kumar,a 35-year-old manager and research scientist employed by British Steel on Teesside, will seek to capture the marginal Langbaurgh constituency from the Conserva-tives in the forthcoming by-election caused by the death of Mr Richard Holt.

1.0

Dr Kumar, a member of the electricians union EETPU, has lived in the constituency since 1985 and has been a member of Middlesbrough borough coun-

PARTY FINANCES: Mr Frank Dobson, shadow energy secretary, returned to the issue of the Conservative party's finances, calling for a fraud squad investigation into the fl.5m in donations made by Mr Asil Nadir, founder of Polly

Mr Dobson urged the com-pany fraud squad to establish whether money relating to criminal charges against Mr Nadir have been credited to Tory party funds. He said: "It is quite legitimate for the squad to continue inquiries into the whereabouts of monies disbursed by Asil Nadir." ance on the state sector for infrastructure investment, might encourage private-sector involvement with other gov-ernment-backed projects if Labour won the general elec-

The modified Treasury rules would mean that British Rail's borrowing from private sources for capital investment no longer counted among revenues when the Public Sector Borrowing Requirement (PSBR) was calculated.

Mr John Prescott, Labour's transport spokesman, will call for private-sector involvement in the rail link between Lon-don and the Channel tunnel entrance wen he addresses abour's conference on Wednesday.

Among the schemes he is

NO ONE!

THE ANGER of those

supporting Mr Dave Nellist

and Mr Terry Fields was loud

and heated yesterday. Unfortu-

nately for the suspended MPs,

that anger did not translate

At a meeting of Labour's national executive last week, Mr Fields and Mr Nellist were

suspended from holding party office because of links with

Action was taken against the

MPs after the decision by Mili-

tant to field its own candidate against the official Labour can-

didate in the Liverpool Walton

by-election in July. A rally yes-terday in their support at the

traditional rallying point for

the Labour movement in Brighton" (The Level - a park

that houses an enormous fun-

fair at other times of the year)

did not attract a very reassur-

More a puny gathering than

require constituencies formerly repre-sented by a Labour MP to select by-elec-tion candidates from a "women only"

Ms Valerie Farnell, who refused to remit

the proposal to the National Executive and

insisted on a vote, argued that unless it was approved, the party's agreed objective of having women forming at least half the

parliamentary Labour party by the end of the decade was unlikely to be attained. She deplored the fact that only two

ing size of crowd.

from the conference hall.

into numbers.

 Sale and leaseback arrangements with banks whereby, for example, rolling stock or land would be sold to banks and Borrowing from banks

using the assets along the line as security. Labour cites, as an example, schemes operated by SNCF, the French state-owned railway company, which raises most of its borrowings on international and domestic

The party also believes the Dartford river crossing project has shown that the private sec-tor can be attracted by infrastructure projects. There, private contractors built the bridge and will collect tolls to repay its cost before returning the crossing to the state sector. Mr Prescott sees the plans as

Yawning gulf: Terry Fields, speaking at a rally yesterday, did not get conference support

a mass demonstration, the sup-

porters were mostly selling copies of Militant or Socialist

Worker and almost made up for their lack of numbers with

Prominent were references

to the so-called witch hunt of

Militant supporters and the

recent suspensions of council-

lors. "We're from Coventry not

Salem", "Defend the Lambeth

Mr Nellist said: "Our suspen-

sion from holding party office

together with banning us from

party conference is a shameful

capitulation to the incessant

demands of Chris Patten and

the Tory press.
"It's obvious that the odd let-

ter from Tory Head Office car-ries more weight at Walworth Road than the hundreds of res-

olutions passed in our support

throughout the Labour move-ment nationally," he railed.

His message to the Labour

ments being made.

leadership was to adopt a dis-

DELEGATES REJECTED an attempt to would not be contesting the coming gen-

the size of their banners.

Little support for Nellist and Fields

'Women only' short lists are rejected

eral election.

Ms Michelle Thew, from the Hampstead

and Highgate constituency, where Ms Glenda Jackson, the actress has already

been selected as the Labour candidate.

complained about some of the unfair com-

The charge was being made that if Labour failed to win the seat it would be

because a woman candidate had been

imposed on the constituency.
Opposing the resolution, Ms Sandra Wil-

tinct socialist voice if it wanted

to win the election. "We need to try to persuade them to

abandon this disastrous

Earlier Mr Fields and a

clutch of expelled Liverpool

councillors were discovering

that life without the obligatory

red conference pass was bound

to prove quieter than the buzz

Fields lobbied union delegates

as they made their way into the Ship Hotel.

"The reception has been good," Mr Fields said. "But

general secretaries, the power-ful people, may be exerting influence and telling delegates

not to rock the boat."

Mr Fields did not want to

rock the boat. "It is a simple

request we are making: just

With him on the pavement

allow us into the conference.

was Ms Cathy Wilson, an

of the conference floor.

course." he said.

a way of getting around the tough strictures of Mr Smith against increased public spending or borrowing under a Labour government.

In an interview with the Financial Times last week, the shadow chancellor said he was 'sympathetic" to proposals for allowing nationalised indus-tries to borrow privately. "It is patently foolish that the Treasury in this country doesn't seem to be able to make the distinction between capital and revenue. I'd like to see that distinction better recognised."

The government will announce early next month its preferred route for the Channel tunnel rail link, but the question of funding the estimated £3bn cost remains unresolved. Last year Mr Cecil Parkin-

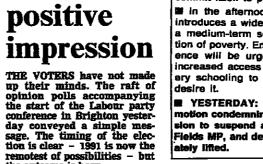
son, then transport secretary,

rejected a financial package drawn up by European Rail Link, a consortium comprising BR, Trafalgar House and BICC. At the time, ministers believed alternative private backers were unlikely to be found. British Rail's investment is

at present financed from internally generated revenues and strictly rationed government borrowings. The result has been cash starvation, with several big investment projects put on hold.

Under Labour's proposals, assets along the Channel tun-nel route could be "ringfenced" to form a separate company from BR. The party believes the flow of traffic through the tunnel will provide near-guaranteed income.

Ralph Atkins



the outcome is hazy.

When averaged out, the recent polls put Labour and the Tories neck and neck, with both struggling to command the support of 40 per cent of the electorate. The Liberal Democrats are hovering around 15 per cent. Behind public bravado,

PUBLIC OPINION

The need

to make a

senior figures on all sides are happy to admit that there is everything to play for.
For Mr Neil Kinnock, the best news is that he and his party survived the onslaught launched by the Conservatives during the past few weeks. Labour kept its nerve when it

moved from 4 or 5 points ahead to same amount behind. Mr Kinnock is far less popular with the voters than Mr John Major and his policy U-turns will remain a key target for the Conservatives. Yet even in private his colleagues have largely resisted the temptation to suggest that they

would be better without him.
The surveys meanwhile
show that Labour has greatly
extended its lead since 1987 on the welfare issues of health. education, unemployment and pensions. No matter Mr Major's personal commitment to the NHS, Labour has successfully rammed home the message that the establishment of hospital trusts and family doctor budgets is the precursor to privatisation.

Importantly for Mr Kinnock, as the welfare issues have moved towards the top of the voters agenda his party's traditional weak spots - the trades unions and defence in particular - have slipped down the list of concerns.

Meanwhile, Mr John Smith, the shadow chancellor, has done much to reduce, but not eliminate, the most important negative: the question mark over Labour's competence to

The same surveys that show more widespread acceptance of Labour as an alternative also reveal a marked lack of positive enthusiasm. Labour is no longer dangerous but nor is it

its conferences have concentrated on promising not to do things, this is the week when Labour will spell out what it will do. As Mr Roy Hattersley, the deputy leader, pointed out yesterday, the party will begin to campaign for its beliefs. At the conference we are

promised Labour's manifesto for its first year or so in office. By Friday's pre-election rally, we are told, the country will have a good idea of prime min-ister Kinnock's first Queen's

ufacturing investment and research and development -will be detailed in the context of making Britain the "best in

Europe". However, as they look at the polls this weekend, Labour aders are conscious that this in itself will not be enough. They can make Labour a more attractive, less defensive alter-native. But for Mr Kinnock to win, Mr Major will have to trip on some of the rocks -Europe, the poll tax, unemployment - strewn in his path hetween now and next sum-

Today's conference agenda ■ Morning debates will focus on British manufacturing indus-

try, unemployment and science and technology in a session introduced by Mr John Smith, the shadow chancellor, Nuclear power will also be debated, including proposals that Labour commit itself to phasing out nuclear power within 15 years In the afternoon, Mr Jack Straw, education spokesman. introduces a wide-ranging debate that includes proposals for a medium-term social strategy for the progressive elimination of poverty. Employee rights will also be covered. Conference will be urged to commit the party both to providing increased access to post-16 education and to granting nursery schooling to all three or four-year-olds whose parent

■ YESTERDAY: Conference overwhelmingly rejected a motion condemning the National Executive Committee's decision to suspend and bar Mr Dave Nellist MP and Mr Terry Fields MP, and demanding that their suspensions be immedi-

EDUCATION

Career guidance pledge by Blair

career guidance will be the "first call" on the money raised by Labour's plans for a training levy, Mr Tony Blair, the shadow employment secretary, will tell the conference today.

Emphasis on skills will be at the heart of Mr Blair's speech, which will place Labour's industrial and training policies squarely in the context both of economic competence and of looking forward to the 1990s.

He is expected to say Labour's aim is for everyone to be entitled to a personal development plan. At present, apart from guidance for young peo-ple, careers advice may be ailable from employers but is beyond the capacity of some small companies.

The party will soon start negotiations with the Tecs, the career service and local authorities about how they could deliver a commitment to providing independent guidance. In its present form, Labour's training levy would be linked to the government's Investors

In People initiative, with the additional criterion that employers spend at least 0.5

DISARMAMENT

run the economy.

exciting.

After three years in which

The priorities – in educa-tion and training, health, man-

Philip Stephens

A RIGHT TO independent per cent of their payroll on training - any underspending would be paid as a contribution to the local or national training effort. Very small businesses would be exempt.

People seen as likely to find independent career advice particularly valuable include white-collar workers who have lost jobs in the present recession, and those who recognise that they need retraining.

The overall message of Mr Blair's speech will be that the key test of a party's economic credibility is its ability to make the best use of the potential workforce. His attack on the government's record on unemployment is likely to focus particularly on the issues of the long-term unemployed, whose numbers are growing.

He will also develop his recent theme of looking forward to a partnership in industrial relations for the 1990s as part of a broader cultural change in Britain, contrasting it with the Tory approach, portrayed as a return to the bat tles of the 1970s.

Alison Smith

NEC vote sets up clash over defence

MR NEIL KINNOCK refused nock - like Mr Dennis Skinyesterday to give ground to left-wingers on Labour's cautious disarmament strategy, leaving the leadership braced for defeat in the defence debate

on Thursday.

His tough stand comes in spite of US President George in the country's nuclear arsenal and renewed pressure from the party's grassroots for Labour to reduce arms spend-ing to the average of other

west European countries. At its pre-conference meet-ing, the National Executive Committee (NEC) voted by 14 to 8 to call for the shelving of a motion insisting on the commitment, in spite of the high likelihood that conference will once again defy the leadership and insist on the cuts.

Last year, six shadow cabi-net members on the NEC also rebelled against Mr Kinnock's

This time, however, there was no upset, with the shadow cabinet fully supporting the leader, with a single abstention from Mr John Prescott, the transport spokesman. Delegates were predicting

last night that the NEC will be defeated when the question is put to conference. Instead, there will be a fresh demand for the UK's £23hn arms hudget to be cut from 4 per cent of gross domestic product to 3.2 per cent, an estimated £4bn Leftwing critics of Mr Kinner, the Bolsover MP who sits on the NEC - said yesterday that Labour now appeared less committed to disarmament than the US and Mr Mikhail Gorbachev, the Soviet presi-There is also dissatisfaction

statement on international affairs, drafted this week, fails to offer to halt the UK's Trident nuclear weapons pro gramme or reduce the coun try's nuclear capacity. The paper, to be presented by Mr Gerald Kaufman,

shadow foreign secretary, says only that Britain should "take immediate steps" to participate in the forthcoming negotiations on nuclear arms cuts. Justifying the leadership's caution last night, Mr Martin O'Neill, the defence spokes-man, said it was impossible for Labour to establish a definitive position until it was in govern-ment and "the facts are in our

Labour remained ready to examine reducing the missile capacity or the number of warheads carried in its nuclear submarine fleet, but would not scrap the Trident programme

outright, he said.
The NEC also approved a resolution calling on the party to seize every opportunity to publicise and discuss Labour's new openness to electoral reform".

Ivo Dawnay

women MPs had been chosen as candidates to replace 18 men Labour MPs who son from Cambridge said she wanted to be chosen as a parliamentary candidate

shortlist, Ivor Owen writes.

THE MASTER of ceremonies for Labour's week at Brighton — all but unknown to the wider public - is arguably, after Mr Neil Kinnock, the man who has done most to force through the party's quiet revo-lution.

As party chairman, Mr Tom Sawyer will need to marshal his dry wit and north-eastern charm to chivvy one of the world's most loquacious conferences through its dauntingly ambitious agenda.

But the bearded, self-effacing, highly serious figure in the conference's driving seat this way in an account of the conference of the confer this year is as reassuring for the leadership as he is appro-

Now in his late 40s, Mr Sawyer has indeed plotted Labour's course back to electability with course back to electability with his reputation for integrity firmly intact. From his place on the picket lines of the 1978-79 "winter of discontent" as a national official of the public employees union, Nupe, he has now ended up as chairman of the powerful home policy committee - the political engine room of the five-year

policy review. Like Mr Kinnock himself, Mr Sawyer makes no apologies for his journey from the hard left

to a more pragmatic interpreta-tion of democratic socialism.

"All my life has been a learn-ing process," he said last week,

"and that is how it should be

for political parties, too - to respond to a changing world."

The young Tom Sawyer -his true first name is lost in his true first name is tost in the past – grew up in the aus-tere poverty of post-war Dar-lington, leaving school at 15 to migrate to the Midlands to look for work. After a shopfloor apprenticeship with the engi-neering union, he joined Nupe as a full-time officer, following his friend and the union's present general secretary, Mr Rod-ney Bickerstaffe down to London to become his deputy.

By the time Nupe persuaded the other leading unions to

back them for a seat on Labour's national executive, both men had moved firmly into the "soft left" camp.

It was only after the party's 1987 election defeat that Mr Sawyer became fully converted to the need for a root-and-branch policy review. Labour's national executive, Today, he claims that Labour's late conversion to the

kind of social democratic poli-

tics long prevailing on the Con-tinent must be blamed on a

lack of vision by the party's

leaders during "the grey years" of Callaghanism. Once a political bag-carrier

for Mr Tony Benn, Mr Sawyer now describes the hard left's prescriptions as "a blind alley . . . little Englander fun-damentalism", incapable of building mass appeal and out of touch with the real world. "A third road has to be opened up - a democratic socialism - that doesn't argue about the need for markets. but one that opens opportunities to people."

For all his trade unionist

roots, Mr Sawyer believes that Labour must push on with its own internal democratisation, eliminating the block vote at conference and extending the principle of one member, one when pressed, Mr Sawyer will concede that Labour may still have more to learn. Yet it seems that nothing will shake his conviction that the political re-education pro-cess the policy review has

undertaken has at least secured the party's future for the generations to come. Ivo Dawnay

woman available". The Conservatives will go "full throttle ahead" with their hospital opt-out pro-

because she had proved "I am as good as

anyone and not just because I am the only

conference, but shifts in the party line had finally got the

She exclaimed: "I've been

angry ever since I joined the

Labour party. After being elected as a councillor in Liver-

pool I voted against a rent

As delegates queued to enter

the Brighton Centre ready for

Mr Nellist and Mr Fields handed out leaflets urging

them to support emergency

resolutions in their favour

Their followers, now dwindled

to about 100, barracked the

Mr David Peel from the

TGWU was unimpressed. "The

situation does not concern the

poll tax, it concerns MPs stand-

ing against people who have been nominated by the constit-

Emma Tucker

respectable face of Labour.

increase and was expelled.

better of her.

gramme if elected for a fourth term, shadow health secretary Mr Robin Cook warned yesterday.

He published for the first time a list of

150 hospitals and other service units in the government's third wave of opt-outs in April 1993, and pledged that a Labour gov-ernment would halt the process and restore all other opted-out hospitals to an

Sawyer's 'quiet revolution' Party stage managers fight their corner

Ivor Owen examines the debate surrounding planned reforms of conference procedure planned for the first conference curbing of the trade union

ITH A general elec-tion looming, the comrades assembled at Brighton will not give any encouragement to what hard-line Communists in the Soviet Union used to describe as the

"anti-party group".

There may still be some out-bursts from leftwing delegates who believe that in trying to make the party electable Mr Neil Kinnock has lopped off its radical roots. Nor is there much likelihood of the conference's being mistaken for the Conservatives' annual gather-ing of deferential "representa-

But procedures introduced during the Kinnock era will ensure that none of his senior colleagues will endure the miliation experienced by Mr Denis Healey in 1976. Then, Labour's embattled chancellor was treated little

better than a rank-and-file del-egate when allowed just three minutes to deal with the crisis that resulted in the International Monetary Fund taking temporary charge of the Brit-ish economy.

That does not happen in the

new model Labour party. The policy review instituted by Mr Kinnock, which led to the dis-carding of the commitment to unilateral nuclear disarma-ment and a belated recognition virtues worthy of preservation, also brought procedural innovations for the conference.

The right to speak from the

platform is no longer an exclu-sive privilege of members of the national executive. In contrast to the restrictions imposed on Mr Healey, MPs and union officials introducing given a dispensation to move who have to speak from the

have to give its specific con-sent before cabinet ministers in a future Labour government enjoy an automatic right to speak from the platform. Many delegates from constituency parties are determined

So far, the changes are tem-

to avoid finding themselves in the same position as their Tory counterparts whose annual conference is stage-managed by Central Office. The anxi-eties of the activists have been heightened by their first experience this year of the application of the one-member-one-vote rule at local level.

In the Hendon South constit-uency party, which has a mem-bership of about 450, the meeting called to discuss the annual conference attracted an attendance of 21. Postal votes cast by absentees totalled 23.
Mr Vladimir Derer, who is associated with the Campaign for Labour Party Democracy, cites the evidence from Hen-

cites the evidence from Hen-don to show that the previous practice of individual branches holding meetings to "mandate" delegates attending the confer-ence created more interest. Mr Harry Barnes, the MP for Derbyshire North-East who defied the Labour front bench in the Commons by voting in the Commons by voting against Britain's involvement in the Gulf war and by advoca-ting support for those who refused to pay the poll tax, voices widespread reservations among the rank and file about the way the ethos of conference is being changed.

Although not opposed to the

one-member-one-vote principle at constituency level to be linked to a qualification based on attendance at party meetings, with exceptions for the disabled and other appropriate Mr Barnes is concerned about the extent to which the annual conference is being

block vote, he would like the

influenced by decisions made at the party's Walworth Road headquarters. He complains: "There is a tendency towards centralisation which is not all that compatible with internal participatory democracy."

There is discontent also among activists with the recently introduced procedure providing for wide-ranging debates on a group of issues.

debates on a group of issues. The effect is to prevent a succession of speakers from con-centrating on a single embarrassing topic.
Still, with Mr Kinnock firmly in charge of the National Exec-utive, the momentum for

change - and towards tighter stage management - looks A range of further reforms is

held after the election. Chief among them is the trigger mechanism for limiting the power of the trade union block vote – initially reducing its weighting at the annual conference from 90 per cent to 70 per cent – with further reductions to be introduced in

proportion to the growth in individual membership. Mr Kinnock hopes also to secure approval for the intro-duction of a 170-member

national policy forum and seven standing commissions covering various policy areas which between them would produce a "rolling programme". The annual conference would then have a reduced role

would then have a reduced role in initiating policy and the horsetrading between the big unions that leads to multi-faceted "composite" resolutions would be reduced.

If the self-styled "captain" Kinnock also gains the title of prime minister, a restyled conference could give him a more effective means of controlling

effective means of controlling all the party's institutions than any of his predecessors.

France

Government to withdraw from pay agreements

THE government is today achieved pre-set targets. expected to tell unions representing more than half a million public officials that it is withdrawing from existing pay

The move, affecting the 550,000 officials known in Britain as civil servants, comes as negotiations are about to begin on changing the agree-ments to strengthen the link between pay and performance and to decentralise pay talks. Unions will now be under

pressure to accept changes demanded by the government to retain the formula for pay agreements linking salaries in the Civil Service to the private

The decision to renegotiate the six civil service pay agree-ments was announced in July by Mr Norman Lamont, the Chancellor of the Exchequer. It followed publication of the prime minister's citizen's charter which stressed the role of performance-related pay as an incentive for improving the quality of public services.

The civil service agreements, signed in 1988 and 1989, include an element of performance-re-lated pay which accounts up to 5 per cent of the £7bn salary bill. But most civil servants are not eligible to receive perfor-mance pay until they have been at the top of their salary scale for five years.

Ministers want to amend the agreements to introduce greater opportunities to win performance pay additions. Among the options under consideration are extending performance pay to staff who are not at the top of their pay scales, and awarding it to offices or teams which have

Mr Lamont's statement also acknowledged pressure for decentralised pay bargaining from the managers of executive agencies set up to deliver government services, such as

the payment of benefits. These managers want free-dom to opt out of the national pay agreements and adopt pay and grading structures more appropriate to their operations Mr Lamont has endorsed bargaining at departmental and agency level, which appears to end the Treasury's previously opposition to devo-lution of pay responsibilities.

The Treasury is expected propose plans to implement these changes next month, with a timetable to complete negotiations by the end of the year. But it must issue the ter-mination threat today to give the required six months' notice for agreements which provide for a pay rise from 1 April 1992. All the unions are likely to

oppose strengthening performance pay arrangements they resisted when the existing The Association of First Division Civil Servants (FDA), which represents top civil ser vants, has highlighted evidence which suggests that per-formance-related pay

arrangements in the civil service discriminate against women. Treasury figures published by the FDA show that 52 per cent of top male civil ser-vants qualified for performance-related payments, while only 38 per cent of top women

The Council of Civil Service Unions will meet on October 8 to determine their response.

Tories signal new plans to reduce inheritance tax

By Philip Stephens and John Authers

THE Conservatives signalled yesterday that Mr John Major is ready to commit the party to substantial reductions in inheritance tax (IHT) during the next general election cam-

paign.
Senior party figures said the prime minister had backed to plans to raise the present £140,000 threshold for payment of the tax and to consider reducing the 40 per cent rate on sums above that level. Despite Treasury objections

to a commitment which might push the Conservatives into abolishing the tax, the party is expected to promise a reduction in its election manifesto.

The manifesto will say a future government under Mr Major will promise to allow the transfer of wealth from generation to generation.

The political appeal of reducing inheritance tax comes from the fact that the present threshold - raised from £128,000 in the last Budget fails to take into account the sharp rise in house prices over the past decade. Many middle class people inheriting houses in high-value areas became liable to a tax intended originally

Ministers believe a pledge to reduce the tax, which raises

about £1bn in revenue, would help sharpen the contrast on tax between the Conservatives

and Labour. The current tax regime is already very lenient, for those who know how to take advantage of the exemptions - one accountant has called it a "vol-untary tax" - but few people take advantage of the opportunities to avoid paying. A Mori survey earlier this year found between 50 and 64 had done nothing to plan for IHT.

This suggests the advantages of the current regime go mainly to those wealthy enough to pay for advice. Reform could make it simpler for the new generation of home-owners to avoid paying. It could have a more serious impact on the financial services industry. Mintel, the market research company, found that £8.1bn passed directly from one generation to another in the tax year of 1990-91. It

projects that this will rise to £13bn by the year 2000. Much financial marketing is currently aimed at scooping up some of this wealth, most of which goes to middle aged people who already own their own homes, and this would increase

Network of 'marriage bureaux' likely for small investors

PLANS FOR a nationwide network of business marriage bureaux" to forge links between private investors -"business angels" - and small businesses seeking equity capital are expected to be announced by the gov-ernment within the next few weeks. The scheme will be run on a pilot

basis at five centres for a two-year period. The government will provide funding of £20,000 a year. The Department of Employment is assessing bids from enterprise agencies and other small business support organisations to be allowed to run the five pilot

Mr Eric Forth, small firms minister at the department, has been consider-

ing the plan for the past year and has looked at the experience of small firms with angels in the US. Angels are estimated to provide more finance to US small firms than the formal venture capital industry.

One of the enterprise agencies to bid for a pilot franchise is the Staffordshire Development Association. which is part of the county council's economic development unit. The association would appoint a representative from a bank or large local employer to run the marriage bureau, said Mr Rob Redfern, principal finance officer with the county coun-

News of the government plans coin-

claiming that private investors are aiready an important source of funding to small firms but that, with encouragement, they could make an even greater contribution.

Private funds are not fully exploited by small businesses and business angels are unable to find enough investment opportunities, according to the study by Mr Colin Mason of Southampton University and Mr Rich-ard Harrison of the University of

The two researchers call for the creation of a national network of mar-riage bureaux to bring investors and companies together. They spoke to 86

cides with the publication of a report investors who had invested a total of 23.1m in 172 ventures over a three year period but who had up to £10m of additional funds which they wished

> Business referral services have attracted only a limited subscriber base and achieved only modest success in promoting successful matches, the researchers noted.

 A pilot scheme designed to help unemployed Hungarians search for jobs in a market economy opens tomorrow with assistance from the Department of Employment.

The Jobclub, modelled on the British equivalent, will teach Hungarians how to look for jobs, make applications and improve interview skills.

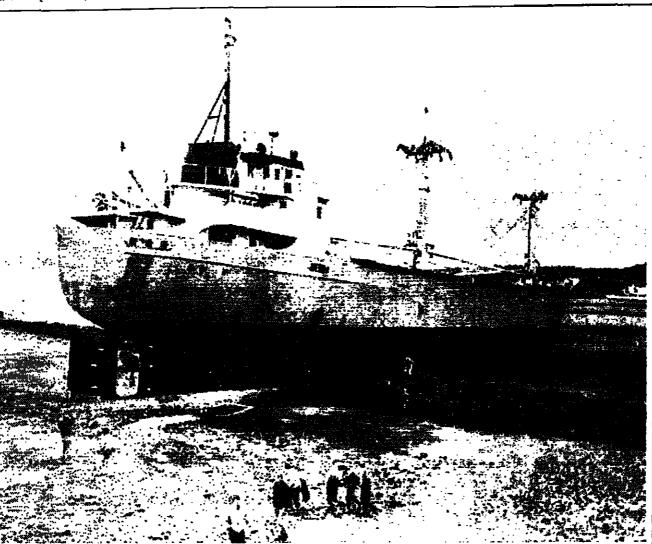
Mr Miles Fogden, chief executive of the Employment Service, an executive agency of the Department of Employment, will formally open a Jobchib in

the city of figur, north of Budapest.
Hungarians will be able to attend
training sessions and use the centre's
talephones, startimery and postage to

being in their job hunt.

Rear was chosen for the scheme by the Hungarian government as a town with a mixed economy including substantial numbers werking in mining and food processing. Unemployment was officially 200 last year, but is expected to rise to 10,600 by the end of 1991.

Imer critic



Gale force: severe storms hit the west coast of Britain at the weekend closing ports and stranding several vessels, including the Honduran-registered vessel Marga Cortes (pictured yesterday) which ran aground at Clwyd, north Wales

Specialists urge stronger action on public health

pressure yesterday to strengthen its proposed strat-egy to improve national beauth standards announced by Mr William Waldegrave, health secretary, in a green paper in June.

A report by an infinential group of public-health specialists argues that Britain still has a poorer health record

than many of its European neighbours, with wide divi-sions between rich and poor. The authors have written to Mr Waldegrave, urging a tougher programme, with National Health Service funds earmarked for health promo-tion. They call for action in 11 priority areas, and warn that the government's narrower programme might actually further inequalities between

rich and poor, young and old".

A broadly based independent committee of academics and health specialists has pro-duced the report, published by the King's Fund health policy research centre and supported by the Health Education Authority and the London School of Hygiene and Tropi-cal Medicine.

It says Britain has relatively

expectation of life after the age of 46 is "among the worst in north-western Europe". Many of the causes of pre-

Many of the causes of permature mortality and other health threats are linked to social deprivation. He Waldegrave has decided against making the closing of the health gap between social groups a target of the government's strategy.

The King's Fund report, however, emphasizes the links between poor health and deprivation. It says: "The health disadvantage of the working classes might be an area of public health in which major gains can most readily be achieved."

It urges action on smoking. diet, sicohol, physical activity, sexual health, road safety. maternity services, dental health, early cancer detection, high blood pressure reduction and humanisation.

The government is under attack from health promotion interests for failing to support an BC plan to ben almost all an BC plen to ben almost all cigarette advertising. Previ-ously unpublished health department research in the report shows a majority of Britons would support a hear on posters and in newspapers.

Anxious moments precede election date

FT reporters gauge business and local government concerns on the timing of the poll

the timing of the UK general election is disrupting business planning and may be delaying the rebound in investment and consumer

Many local authorities are because they fear an early elec-tion could upset plans to replace the poll tax, the controversial charge designed to pay for local services but dropped amid fierce opposition.

Council financiers probably

have a vested interest in a June election producing a Tory victory, which would mean the plans for the government's new council – due to be launched in April 1993 – go through unscathed. Should the Labour opposition win, it would almost certainly scrap the scheme, disrupting council

In the City, however, the uncertainty has buoyed the market for certain types of financial instruments which are destined to be scrapped if Labour takes power. There is also some evidence if the tax were reformed.

that companies have speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes. Investment groups are see-ing a surge in demand for

financial instruments tied to Companies have

speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes.

putting money into what are called assured-tenancy business expansion schemes where a specially formed com-pany buys housing and rents it out to a third party, with investors guaranteed a return. The product is proliferating because Labour Party has said it will be scrapped if it forms the next government.

Mr Sudhir Junankar, head of economic trends at the Confederation of British Industry

tion, said election uncertainty "was not helpful", and may be causing companies to delay investment plans. Mr Jim Maxmin, chief execu-

tive at Laura Ashley, the fash-ion and furnishings group, said ably being delayed by consum-ers becoming "ultra-cautious" about increasing spending due to anxiety about the shape of

the next government.
Another area where the uncertainties may be speeding up events is in rights issues. At Hillsdown Holdings, the food group, Mr Kevin O'Sullivan, finance director, said that not knowing the election date had had some effect on the timing of its £281m rights issue, announced last week. "One consideration was the election and the uncertainty that might arise in the market."

Professor Paul Marsh, a management expert at London Business School, said companies might be accelerating other developments, such as mergers, on the grounds that the climate for these could be

A specific worry in some quarters of industry is that a new Labour government might increases taxes for the higher-

Sir David Plastow, chairman

In the property market "there is anxiety among high earners that their tax position might be dramatically altered after the election".

the engineering group which makes Rolls-Royce and Bentley cars, said speculation about the election date might be influencing people considering

luxury purchases. At Wimpey, Britain's second largest housebuilder, Sir Clif-ford Chetwood, the chairman, said questions over the poll date have held back housing date have held back house demand. "This is particularly true at the top end of the mar-

tax position might be dramatic-ally altered after the election." Mr Ian Maclellan, managing director of Ibstock Johnsen the bricks and forestry products group, said he favoured a move to fixed-term elections, [for business]".

While many businesses would be glad to see an early election, on the grounds of making planning easier, such an announcement would be received particularly warmly in the tourism industry, since it would almost certainly lead to a rush of bookings for overseas breaks by people anxious to avoid weeks of political punditry at home.

Mr Keith Betton, head of corporate affairs at the Associa-tion of British Travel Agents (Abta), said: "If we do have a November election, I will not be around. I will be away on

holiday." Reporting by Peter Marsh, Jane Fuller, John Willman, Peggy Hollinger, Michiyo Nakan Andrew Taylor and Andrew

MPs face tighter rules on lobbying

By Alison Smith

NEW public register of parliamentary lobbyists is at the centre of tighter rules about MPs' business interests recommended today by an allparty committee of MPs.

report on parliamentary lobbying by the select committee on MPs' interests and follows an extended inquiry into the industry. Recommendations also include new restrictions on MPs' links with commercial lobbying organisations. Only commercial companies would be covered by the planned reg-ister, and it would omit chari-

ties or pressure groups.
The controls on MPs' interests operate through a system of declaration. MPs are allowed professional and business links, but they must be pub-licly registered, and declared if an MP makes a speech in the Commons to which his or her interests are relevant.

The recommendations will have to be approved by the Commons itself before they can be implemented.



AN AVERAGE of 930 this inesses collapsed each week in England, Scotland and Wales during the first nine months of this year, according to Dun & Bradstreet, the business information group.

That compares with 545 a week in the same period in 1990 and 900 a week during the first six months of 1991. Total business failures rose by 71 per

first six months of 1991. Total business fallures rose by 71 per cent to 33,532 in the first nine months of 1991, the largest increase for 11 years.

The figures mirror the trends of the last recession,

when business failures contin-ued to rise sharply for two years after the first signs of a recovery appeared in 1981, Dun & Bradstreet said.

The group said it looked as if its earlier prediction of 40,000 business failures in 1991 would prove correct. The sharpest effects of the

recession are no longer being felt in the south-east region and are at their fiercest in the south-west and the east Midlands, which recorded increases in failure rates of 90 per cent each. Wales, eastern

England and Scotland also recorded increases of 80 per cent or more. In the south-west husiness

failures rose from 2,009 in the first nine months of 1990 to 3,830, while in the east Mid-lands they increased from 829 to 1,575.
In the south-east failures

rose by 73 per cent to 6,705. In London failures rose 59 per cent to 5,654.

The announcement coincided with the launch of a small-business Charter for Enterprise by the Federation of the cent to 5,654.

Mr John Harris, policy unit chairman, said: "Small businesses desperately need a lot more carrot and a lot less stick."

The federation's 28-point charter included calls for a the government to create a mandatory analysis of all new regulations to assess their effects on small business; court Small businesses need a charter equivalent to the citireforms to ease the pursuit of late payments and bad debts; and the abolition of business

announced by the main politi-cal parties, the federation said. It has changed its name from the National Federation of Self Employed and Small Busi-

rates.

It also wants the introduc-

tion of a two-tier system of interest rates with a lower rate for business borrowing, a mandatory code of conduct for the banks and the simplification of business leases and rent review procedures.

the chairman of the Bar, which represents barristers. At the Bar's annual confer-

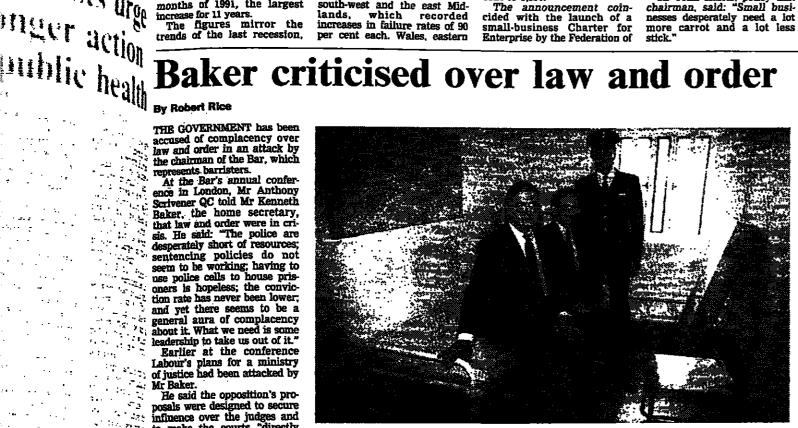
ence in London, Mr Anthony Scrivener QC told Mr Kenneth Baker, the home secretary, that law and order were in cri-sis. He said: "The police are desperately short of resources; sentencing policies do not seem to be working; having to use police cells to house prisoners is hopeless; the convic-tion rate has never been lower; and yet there seems to be a general aura of complacency about it. What we need is some Earlier at the conference Labour's plans for a ministry of justice had been attacked by

He said the opposition's proposals were designed to secure influence over the judges and to make the courts "directly accountable" to MPs in every aspect of their organisation

and operation.

Mr Baker derided Mr Roy Hattersley's views on the judiciary to his audience of barristers and judges and said that the independence of the judiciary could be guaranteed only under a Conservative govern-

> He said that the shadow home secretary was on record



Condemned: Kenneth Baker pictured during a visit to Belmarsh Prison, Thamesmeade

disinclined through long tal principles rightly cherished although the Bar's governing exercise of power to heed outside influence, and that at no time in our history had the public been less satisfied with

The government's position was clear, he said. "We respect and value judicial independence. That independence, free as saying judges were notorioring of interference from politicians, is one of the fundamen-

in our country."

The home secretary defended the government's record on law and order and law reform. It had pushed through substantial measures on police powers, criminal evidence, sentencing and prosecution arrangements. "That is not a policy of of Lords neglect," he said.

Mr Scrivener said that he said.

council had never formally debated the idea of a ministry of justice, no one within its "cabinet" was against it. The Lord Chancellor's Department was an extremely high-spending department which was only answerable to the House of Lords and there was a parliamentary principle at stake,

Small Businesses and a call for

more favourable environment.

zen's charters that have been

Lawyers still at odds, Bar meeting told

By Robert Rice

BARRISTERS and solicitors are still at odds over who should have the right to appear as an advocate in the higher courts, the Bar conference was told yesterday.

Mr Philip Ely, president of the Law Society, which repre-sents solicitors, said the fact that the head of the solicitors' profession had been invited for the first time to speak at the Bar's conference was recogni-tion of Improving relations between the two branches of

the legal profession. Nevertheless, on certain issues, such as rights of audience and the circumstances in which a lawyer should be obliged to take on work, barristers and solicitors were still "visibly unable to reach agreement or even common ground".

The government's reforms of the legal profession had delib-erately made barristers and solicitors into competitors, but solicitors still needed barristers and would continue to do

Mr Ely also criticised the Bar for its failure to establish an objective scheme for identifying barristers with specialist expertise in particular areas of the law. The solicitors' profes-sion was establishing specialist panels for assessing solicitors' expertise in such areas as per-sonal injury and medical negli-

gence because it recognised that in certain areas of practice mere qualification as a solicitor was not enough.

Without similar schemes for assessing the expertise of barto safeguard standards of service to the public in cases where it was necessary to instruct a barrister. It was not good enough to say that a specialist childcare solicitor

should just instruct any barris-ter, he said. On Sunday trading and the issue of whether the 1950 Shops Act contravenes European Community law, Mr Justice Hoffmann said the suprem-acy of EC law over UK law had

never been in doubt since Parliament passed the European Community Act in 1972.

Generally, English law had adapted well to that but some areas remained contentious.

The issue of the Shops Act had had to be referred twice to the European Court in three years, partly because the court had been unable to give a clear answer in 1988 and partly because it appeared to have changed its mind in two subsequent Sunday trading cases involving France and Belgium. Sunday trading, Mr Justice Hoffmann said, was one area where the supremacy of EC law had produced a "complete

urge cash aid from councils

Builders

By Andrew Taylor, Construction

CONSTRUCTION INDUSTRY leaders will ask the prime minister today to ease restric-tions inhibiting local authorities from spending proceeds from council house sales on

new construction. The presidents of three of the industry's largest trade associations, representing companies with a combined annual turnover of more than £40bn, will meet Mr Major at 10 Downing Street to discuss the effects of the severe recession on construction and

building-material companies.
Sir Clifford Chetwood, president of the Building Employ-ers Confederation and chairman of Wimpey, the country's second-largest house builder, has given a warning that a quarter of a million construc tion jobs are likely to have disappeared between the middle of 1989 and next summer.

He will be joined at the meeting with the prime minis-ter by Mr Andrew Teare, president of the National Council of Building Material Producers and chief executive of ECC and chief executive of ECC group, formerly English China Clay, and by Mr James Miller, president of the Federation of Civil Engineering Contractors and chairman of the Miller group, a privately owned building and civil engineering

company.

They are expected to try to persuade the government to take advantage of cheap prices encourage spending on infrastructure - particularly on roads but also on schools and

They will also ask Mr Maior to allow councils to spend a much higher proportion of capital receipts from council house sales to build new houses in order to reduc homelessness and to increase work for one of the industries worst affected by the reces-

Chapter 11 Case Nos 91 B10080 (CB)

through 91 B 10087 (CB)

Doubt over Black Country development

By Paul Cheeseright, Midlands Correspondent

shopping and leisure complex at the largest site available for development in the Black Country are about to thrown into confusion by the Metropolitan Roscogh Council of Sand-well, the majority landowner. The Ellipere site, north-west

of Bluishigham, at the old Patent Shaft steel works, for-nietly used by British Coal for opencast mining, is one of two lynchpins in the plans of the Black Country Development Corporation (BCDC) to regenerate one of the most derelict industrial areas in the UK. The other is a new trunk road. passing by the site, connected to motorways.

This week the council's planning and property resources committee is expected to pass a

LONGSTANDING plans for a motion seeking a change in the shopping and leisure complex designated use of the site from retail to general business activity. It will propose a change in

the council's unitary develop-ment plan, which will settle the pattern of land use in the borough for the next 10 years. Mr Bob Badham, the committee's chairman, said. "The original idea is outdated." The site is needed so that it can be developed for what he called "real jobs". He added that in the present economic situation it would in any case be diffi-cult to generate funds for the

cult to generate runns for the retail and leisure scheme.

Speyhawk, the prospective developers of the site, called the council's expected move "precipitate" and thought it showed "a tendency to go for short-term expediency".

Wales seeks to lure financial companies

By Anthony Moreton, Welsh Correspondent

WELSH Development International, the inward investment arm of the Welsh Development Agency, is launching a series of road-shows across Europe sceking to attract more financial ser-

vices companies. Dr Gwyn Jones, chairman of the agency, said the drive would be based on the success of the financial services initiative launched three years ago. Dr Jones was speaking at the weekend to more than 100 senior executives in the City of

With more than 70,000 people employed in finance in Wales, he said, a firm base existed for securing more European com-panies. Labour was available, and with reasonable rents and easy access to the City of London, south Wales was a partic-ularly favourable spot for

expansion. He said the industrial successes of the past two decades, were being complemented by the growing financial services

WDA research had shown that more than 70 per cent of Japanese companies in Wales placed their insurance with companies based in Wales.
Dr Jones said the pace of investment in Wales was increasing. In the first half of this financial year, 54 new pro-

jects and 44 expansions were announced, involving investment of £667m. That compared with 147 projects in the whole **LEGAL NOTICE**

dog's breakfast".

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

PAN AM CORPORATION PAA CORP. PAN AMERICAN WORLD AIRWAYS, INC. ALLMAY INTERNATIONAL, INC.

PAN AM SHUTTLE INC. PAN AM EXPRESS, INC. ALERT MANAGEMENT SYSTEMS, INC. PAN AM COMMERICAL SERVICES, INC., Debtors

NOTICE OF HEARING ON ADEQUACY OF DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that a hearing on the adequacy of the Disclosure StatementWith Respect To The John olidated Plan of Reorganization Proposed By The Debtors And The Official Committee Of Unsecured Creditors For Consolidated Plan of Reorganization Proposed By The Debtors And The Official Committee Of Unsecured Creditors For Pan Am Corporation And its Affiliated Debtors (the "Disclosure Statement") that has herebolone been filed together with the Joint Consolidated Plan Of Reorganization Proposed By The Debtors And The Official Committee Of Unsecured Creditors For Pan Am Corporation And its Affiliated Debtors (the "Plan") will be held before the Honorable Comelius Blackshear, United States Bankrupicy Judge, on October 24, 1991, at 2.00 p.m. (the "Hearing") or as soon thereafter as counsel may be heard in Room 601 of the United States Bankrupicy Court, Southern District of New York, Alexander Hamilton Court House, One Bowling Green, New York, New York.

PLEASE TAKE FURTHER NOTICE that at the Hearing the Court may also (a) fix the last date by which parties in est may fite acceptances or rejections of the Plan, and (b) schedule a confirmation hearing with respect to the Plan.

PLEASE TAKE FURTHER NOTICE that objections, if any, to approval of the Disclosure Statement must be made in writing and filed with the Clerk of the Bankruptcy Court on or before the close of business October 18, 1991 and copies of any such objections must also be served by hand, express mail or by Federal Express to be received no later than the same date on Counsel for Debtors, Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006 (Attention: George Welsz, Esq.), Counsel for the Official Committee of Unsecured Creditions, Milgrim Thomajan & Lee P.C., 53 Wall Street, New York, New York 10005 (Attention: Marc E. Richards, Esq.), and Counsel, for Delta Alt Lines, Inc., Stroock & Stroock & Laven, 7 Hanover Square, New York, New York 10005 (Attention: Lawrence M. Handelsman, Esq.), and Davis Polk & Wardwell, One Chase Manhattan Plaza, New York, New York 10005 (Attention: Joseph Rinaldi, Esq.).

PLEASE TAKE FURTHER NOTICE that no further written notice will be given of the filling of amendments to the Disclosure Statement or Plan or of adjournments of the Hearing on the adequacy of the Disclosure Statement, as initially filled or as amended, which adjournments may be made in open Court from time to time.

PLEASE TAKE FURTHER NOTICE that copies of the Disclosure Statement and Plan are available for review during regular business hours. Monday through Friday, at the offices of Poorman-Douglas Corporation, 1325 Southwest Custer Drive, Portland, Oregon 97219; at the offices of Pan Am Corporation, 200 Park Avenue, 9th Floor, New York, New York 10161; and at the office of the clerk of the United States Bankruptcy Court, Southern District of New York, 6th floor, One Bowling Green, New York, New York 10004-1408. Copies of the Plan and Disclosure Statement may be obtained by making a written request to John E. Smith, Esq., Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New

Dated : New York, New York September 24, 1991

BY ORDER OF THE COURT /s/ Comelius Blackshear

One Liberty Plaza New York, New York 10006 (212) 225-2000 MILGRIM THOMAJAN & LEE P C Counsel for the Official Committee of Unsocured Creditors 53 Wall Street Naw York, New York 10095 (212) 658-5500

CLEARY, GOTTLIEB, STEEN & HAMILTON Counsel for Pan Am Corporation et al.

Chapter 11 Case Nos. 91 B10080 (CB)

Adv. Proc. No 91-6175A (CB)

LEGAL NOTICES

PAN AM CORPORATION, of 워.,

PAN AM CORPORATION, PAN AMERICAN WORLD AIRWAYS, INC., PAN AM SHUTTLE, INC., PAN AM EXPRESS, INC., PAA CORP., ALLMAT INTERNATIONAL, INC., ALERT MANAGEMENT SYSTEMS, INC., PAN AM COMMERCIAL SERVICES, INC. and THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF PAN AM CORPORATION, ET AL.

Plaintitis

ALL UNSECURED CREDITORS OF PAN AM CORPORATION, ET AL., DEBTORS, INCLUDING HOLDERS OF THE DEBTORS PUBLICLY-TRADED BONDS AND DEBENTURES (EXCEPT FOR PAN AM CORPORATION DUAL CURRENCY SONDS DUE 1995 and PAN AMERICAN WORLD AIRWAYS SECURED EQUIPMENT CERTIFICATES DUE 1994) AND

NOTICE IS HEREBY GIVEN, as follows:

NOTICE OF TEMPORARY RESTRAINING ORDER ENJOINING TRANSFERS OF CERTAIN UNSECURED CLAIMS, AND NOTICE OF HEARING ON PLAINTIFFS'

MOTION FOR A PRELIMINARY INJUNCTION TO ALL CREDITORS, INDENTURE TRUSTEES, RECORD HOLDERS AND BENEFICIAL OWNERS OF CERTAIN OF AND OTHER PARTIES IN INTEREST .

PLEASE TAKE NOTICE THAT, on September 24, 1991, the Bankruptcy Court signed an order to show cause setting a hearing for October 3, 1991, on the plaintiffs' joint motion in the above adversary proceeding for a preliminary injunction (the "Joint Motion"): (1) staying, engining and restraining, until a plan or plans of reorganization of the Debtors bocome(s) final or these Chapter 11 cases are dismissed or converted to cases under Chapter 7 of the Bankruptcy Code, all unsecured final or these Chapter 11 cases are dismissed or converted to cases under Chapter 7 of the Bankruptcy Code, all unsecured creditors of the Debtors, including holders of the Debtors' publicly-traded bonds and debentures (except for Pan Am Corporation Dual Currency Bonds due 1995 ("PAC Dual Currency Bonds") and Pan American World Airways 11½ Secured Equipment Certificates due 1994, Saries A and B ("Equipment Certificates")), and all indenture trustees of such bonds and debentures, from selling, assigning, pledging, trading or otherwise transferring or attempting to transfer any and all: (a) general unsecured claims, putative general unsecured claims, or any interest therein, and (b) any and all of the Debtors' publicly-traded bonds and debentures (other than PAC Dual Currency Bonds and the Equipment Certificates) or any beneficial interests therein, which would result in the transferse owning or being deemed to own a beneficial interest in 5,00 percent or more of any class of such bonds or debentures; and (2) directing all record holders of the Debtors' bonds and deb covered by this adversary proceeding to provide certified statements to the plaintiffs, in a form annexed to the order to show cause, identifying, as of September 24, 1991: (a) all beneficial owners of such debt securities, (b) the amounts of such debt securities beneficially owned by each beneficial owner, and (c) the serial numbers of each certifi

PLEASE TAKE FURTHER NOTICE THAT a hearing to consider the Joint Motion will be held on October 3, 1991, at 2:00p.m. or as soon thereafter as coursel may be heard, before the Honorable Cornellus Blackshear, United States Bankruptcy Judge, in Room 601 of the United States Customs House, One Bowling Green, New York, New York 10004. The hearing may be adjourned from time to time without further notice other than an announcement in open court of the adjournment date(s) at the hearing or an adjourned hearing.

PLEASE TAKE FURTHER NOTICE THAT objections, if any, to the relief requested in the Joint Motion shall be in writing, shall set forth the name of the objecting party, the basis for the objection and the specific grounds therefor, and shall be served by personal delivery or by Federal Express, overnight mail or other overnight courier service upon Cleary, Gottlieb, Steen & Hemilton, One Liberty Pizza, New York, New York 10006 (attention: George Welsz, Esq.), counsel for the Debtors; Milgrim Thomasian & Lee P.C., 58 Well Street, New York, New York 10005-2815 (attention: Richard Levy, Jr., Esq.), counsel for the Official Committee of Unsecured Creditors; Stroock & Stroock & Leven, Seven Hanover Square, New York, New York 10004 (ettention; Lawrence M. Handelsman, Esq.) and Davis Polk & Wardwell, One Chase Manhattan Plaza, New York, New York 10005 (attention; Joseph Rinaldi, Esq.), counsel for Delta Air Lines, Inc.; Cahill Gordon & Reindel, 60 Pine Street, New York, New York 10005 (attention; Robert Usadi, Esq.), counsel for the Official Retirees Committee; and the Honorable Harold Jones. United States Trustee, One Bowfing Green, New York, New York 10004, and filed with the Court together with proof of service not later than 5:00p.m. Eastern Time on October 1, 1991.

TEMPORARY RESTRAINING ORDER

PLEASE TAKE FURTHER NOTICE THAT on September 24, 1991, pending the hearing on the Joint Motion, the Bankruptcy Court entered a temporary restraining order with respect to transfers and trading of such general unsecured claims and publicly-traded bonds and debentures. The temporary restraining order provides, in pertinent part:

*ORDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed len days from the date hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 382(a) of the Bankruptcy Code, the defendants, their respective officers, agents, servants, attorneys, and employees, all persons in active concert or participation with them, and all persons having notice of this Order, be and each of them hereby is stayed, restrained and enjoined from: (1) selling, assigning, pledging, trading or otherwise transferring any general unsecured claims against any of the Debtors, any putative general unsecured claims against any of the Debtors, or any interests therein, and (2) purchasing, acquiring or in any other way obtaining any general unsecured claims against any of the Debtors, any putative general unsecured claims against any of the Debtors, or any interest therein; and it is further

*CRDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed len days from the data hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 362(a) of the Bankruptcy Code, the defendants, including, but not limited to, all beneficial owners of any of the Debtors' publicly-traded bonds or debentures (other than the PAC Dual Currency Bonds and the Equipment Certificates), all actual or prospective purchasers or transferees of such bonds, debentures or beneficial interests, together with their officers, agents, servants, employees, members of the same family [as defined elsewhere in the Order], attorneys, all persons, in active concert or participation with them, including organizations under common control [as defined elsewhere in the Order, all such persons collectively triain, treatoring organizations under common common account and essentiate in the critical, as such persons conscrively referred to as "person"], and all persons having notice of this Order, and each of them, be and each of them hereby are stayed, restrained and enjoined: (1) in the case of a Person who does not beneficially own any such bonds, debentures or interests therein, or a Person who beneficially owns less than 5.00 percent of any class of such bonds or debentures, from purchasting, acquiring or otherwise obtaining of record, or beneficially, an amount which, when edded to such Person's total beneficial ownership as of 11:59 p.m. Eastern Time on September 24, 1991, if any, equals more than 4.99 percent of any class of such bonds or debentures; (2) in the case of a Person who beneficially owns 5.00 percent or more of any class of such bonds or debentures, from purchasing, acquiring or otherwise obtain-ing of record, or beneficially, any additional bonds or debentures of such class; and (3) in the case of the indenture Institute of some instance, any account of the antimers of some registering, or taking any steps to register, any transfer agents for any class of such bonds or debentures, from registering, or taking any steps to register, any transfer of any of the Debtors' publicity-traded bonds and debentures (other than the PAC Dual Currency Bonds and the Equipment Certificates) or any beneficial interests therein that would result in the transferse owning, or being deemed to own, a beneficial interest in 5.00 percent or more of any class of such bonds or debentures; and it is further.

"ORDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed ten days from the date hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 362(a) of the Bankruptcy Code, the Office of the Clerk of the United States Bankrupicy Court for the Southern District of New York, Poorman-Douglas Corporation, their officers, agents, servants, employees, and attorneys, all persons in active concert or participation with them, all persons having notice of this Order, and each of them, be and each of them hereby are stayed, restrained and enjoined from accepting, processing, registering or acknowledging any notices or proofs of transfers that are attempted to be made any, indecessing, registering of activities any floorise to provide the deliberation of the Debtors, or any Interest therein; and (2) any of the Debtors, or any Interest therein; and (2) any of the Debtors publicly-traded bonds and debentures (other than the PAC Dual Currency Bonds and Equipment Certificates), or any beneficial interests therein, where the transferee beneficially owns, or would beneficially owns, or would beneficially owns, or would beneficially owns. ally own as a result of the transfer, 5.00 percent or more of any class, of such bonds or debentures."

Dated: New York, New York September 24, 1991

New York, New York 10006

BY ORDER OF THE COURT

's/ Comelius Blackshear United States Bankrupic

CLEARY, GOTTLIEB, STEEN & HAMILTON Attn: George Weisz, Esq. One Liberty Plaza

(212) 225-2000 omevs for Plaintiffs Pan Am Corporation, et al., Debtors

MILGRIM THOMAJAN & LEE P.C. Altn: Richard Levy, Jr., Esq. 53 Wall Street

New York, New York 10005

Attomeys for Plaintiff The Official Committee of Unsecured Creditors of Pan Am Corporation, et al.

EXELLE CLOTHES LIMITED

Date of appointment of joint admi Name of person appointing the joint adminis

DAVID ROBERT WILTON and DAVID JOHN Joint Administrative Receivers (Office holder nos 5573 and 1869)

43 Temple Ros

I D Investment Development AG

Name of person appr son and Malcolm John London Join Office holder nos: 4998 & 2082 Cork Gully The Athum

(DEVELOPMENTS) LIMITED REGISTERED NUMBER, 22:1896

ROMAN HOMES

receivers
18 September 1991
18 September 1991
Name of person appointing the joint administrative receivers
National Wastminster Bank PLC

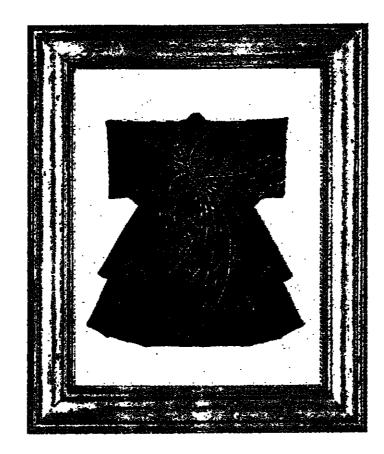
IAN NAPIER CARRUTHERS and JOHN

PHEDENICA POWELL
Joint Administrative Receivers
(Office holder nos 814 and 249)
Cork Gully
43 Yempte Row
Birmingham
B2 5.IT

, malay

THE ARANESE MARSHALLED THEIR ARTS.





From September to January, The Japan Festival is staging the largest celebration of Japanese arts and entertainment events ever seen outside Japan.

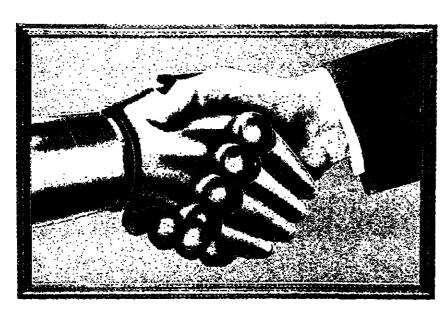
And it's a far cry from the hi-fi and high finance which is often all we associate with this surprising and sophisticated nation.

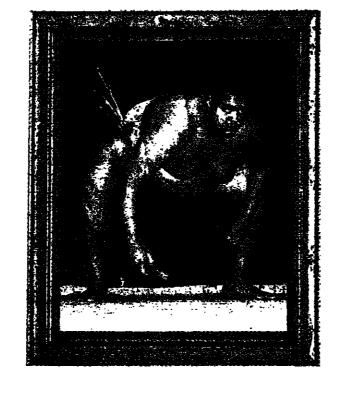
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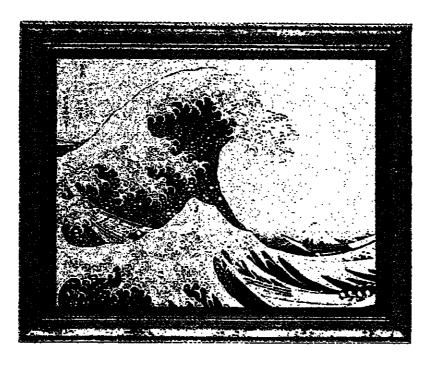
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MIDLAND GROUP TOYOTA in the UK Canon

Inflation index | Newcastle council faces further cuts in education budget may stop using mortgage costs

THE GOVERNMENT'S Central THE GOVERNMENT'S Central Statistical Office is considering dropping mortgage payments in calculations of the retail prices index (RFI), as a prelude to bringing UK practice into conformity with those in other European countries.

Any moves to change the RPI would be politically sensitive, though, inviting criticism that the government was attempting to put a favourable gloss on its economic record, so firm proposals for alter-

so firm proposals for alterations are likely to be delayed until after the next general

Britain is one of the few industrialised countries to use mortgage payments as a basis for measuring housing costs in their indices of consumer

The CSO initiative arises rarily from discussions about the convergence in pan-Euro-pean inflation performance that would be needed before agreement on European economic and monetary union. There is new interest in harinflation across the commu-

some years the Treasury has been unhappy that Britain's measurement of inflation fails to give a true picture of changes in prices at consumer

changes in prices at consumer level.

Ministers are particularly concerned that if they raise interest rates in an effort to slow inflation, that will increase mortgage payments and have the perverse effect of pushing up the RPI.

Among alternatives to using mortgage rates to measure housing costs, the CSO is constituted. housing costs, the CSO is considering a direct monitoring of house prices or the substitu-tion of "imputed rent" levels – what householders would be paying if they were renting rather than buying. Another

idea is to average out mortgage one difficulty for the CSO is that Britain has a higher pro-portion of owner-occupiers than most other developed countries. As a result, a system of measuring inflation that does not account for mortgage payments would look dubious.

Any move to change the RPI would, on past precedent. require the consent of the RPI Advisory Committee. The com-mittee comprises mainly nongovernment experts and normally has as its chairman the head of the CSO.

In the past, the committee has rejected schemes to reduce the weighting of mortgage payments in the index.

Venture fund targets smaller companies

By Martin Regan

A NEW venture capital fund for the north-west is to be lamched this week by Lanca-shire Enterprises, the former economic development arm of Lancashire County Council.

The £5.3m fund, LE Ventures, is simed at unquoted companies of small to medium size and will offer investments of up to \$500,000. The fund will be managed in the north-west within the region or those relo-

Mr Jim Mason, Lancashire

Enterprises chairman, said the fund was a "considerable achievement in the present climate". The money has been raised from a number of insti-

tutional investors, including

Guardian Royal Exchange, the insurance group.

LE Ventures will be the fifth fund managed by Lancashire Enterprises, which was sold by the county council last year to avoid proposed government restrictions on local-authority ownership of profit-making

NEWCASTLE councillors will decide tomorrow on further cuts in the city's education budget, which faces a reduc-tion of up to 26.9m next year as part of £15m council cuts across the board

as part to 210m country cases across the board. In an attempt to avoid charge-capping, the city coun-cil is already this year cutting its education budget from

The education committee, which has so far agreed cuts of 23.5m for next year, will decide tomorrow how spending on youth and community work and the adult advention. work and the adult education service can be pruned. Their functions include enhancing

£111m to £106m, but it has decided that more savings in numeracy among the unemployed. ployed. The effects of the cuts

include redundancies, a freeze on equipment spending and reductions in services. Mr Mark Corner, education committee chairman, said the scale of the cuts showed the

ment's City Challenge initia-tive, which will bring about £7.5m to Newcastle next year. He said: "The government can afford money for prestige capital projects but not for revenue spending. "But the basic revenue

spending is what is essential. There's very little understand-

the draining of resources in the city is upsetting its social fabric."

The city's financial difficul-ties have been worsened by the street disturbances earlier this month, in which schools suffered more than £400,000 of damage from petrol bomb, arson and vandal attacks. the riots is estimated at £500,000. Councillors are

meeting the cost.
The Northumbria Policy Authority, which faces a £2m bill for additional policing

Investment of pride in Northbourne Street

Chris Tighe at the scene of recent riots talks to local people about the way to achieve urban renewal

deface the sparse New-castle playground where £20,000 worth of equip-ment bought with funds raised

by local people was burned down by teenagers. Around the corner in Northbourne Street, centre of an £8.9m North Housing Associa-tion revitalisation completed in 1989, empty flats are boarded up to deter vandals. As night falls, small boys

across the road at the end of the street practise hitting stones with empty bottles. council housing estate where workmen spent the afternoon erecting fancy porches, part of yet another attempt to transform Newcastle's West End by public-sector investment. Mr Arthur Keenan, 51, who

lives in Northbourne Street, "You think to yourself quite often, why bother?" But Mr Keenan, who moved into the newly upgraded street in 1985, when Prince Charles visited and the future, briefly, seemed rosy, is among a group of tenants who have decided they must act to prevent their area declining further.

Newcastle's West End, scene of rioting two weeks ago, has been the focus in recent years of a plethora of costly publicsector schemes. It is now among 11 areas chosen for the government's new city challenge. That will pump about £37m into the West End over the next five years.

Increasingly, though, the area's politicians, the private sector and those tenants who care about their environment are concluding that such investment can bear fruit only investment can bear fruit only if local people, including the disaffected young, are involved in a way that gives them in a way that gives them west End's social and eco-

RAFFITI and rubbish and hope. Mr Keenan, a labourer unemployed for the past 10 years, said: "If you plough the money back into decorating just the outside, you can guarantee it will go back to the same state within five years. It's a waste of money till you fight the prob-

lems with the teenagers." Last week he and fellow residents opened an office for the Northbourne Street Area Ten-ants Group. Its rebirth was spurred by a threat of rent rises to fund increased security in the wake of an £8,000 orgy of destruction by young vandals who wrecked an empty flat within hours.

North Housing has provided a flat for the group's office and £1,500 funding — but local harassment has already dissuaded some residents from

involvement. Mr Danny Carrington, the group's 24-year-old chairman – an unemployed former barman and male stripper - blames parental irresponsibility in many cases. He believes more money needs to be spent in the area on recreational facilities to get young people off the streets. "I think we could do with a million pounds or so

The city challenge area consists of a three-mile strip run-ning parallel with the Tyne from the edge of the city centre. It has 35,000 residents. Unemployment is about 23 per cent but in many pockets is much higher. Only 14 per cent of the 15,500 households are owner-occupied. The comprehensive school serving the area has a truancy rate of 25 per cent and only 2.1 per cent of its

nomic ills deterred private-sec-



tor investment. Half the shop units in the privately owned Benwell Shopping Centre have never been let. able income.

Curbs on local-government spending have taken their toll, too. This year Newcastle City Council is having to make savings on revenue spending in the city of £17m and is plan-

Hoping: Newcastle West End residents Arthur Keenan (left) and Danny Carrington ning cuts of £15m in 1992-93. Social security changes have also cut local people's dispos-

> The city council, which budgets departmentally, is unable prise zone, a development cor-poration, a multi-agency crime prevention initiative, The Newto give a total of public-sector money spent on projects in the West End in recent years. The schemes, past and prescastle Initiative (TNI) - the

ent, applied to it since 1981 include the urban programme, estates action, the urban development grant, city grant, housing action areas, general improvement areas, an enterCBI's first business leadership project — a variety of environ-mental and economic development projects and, now, city

challenge.
Current and recently completed public-sector housing revitalisation investment, vir tually all on homes less than 30 years old, exceeds £20m. Spending in the West End under the urban programme

alone is £2.4m this year. In its city challenge submis-sion, the city council said it action programme aimed at creating 10,000 jobs, to spend £27.1m in the area in 1992-93, including £7.4m city challenge

One of the most promising schemes, the Cruddas Park initiative, suggests that slow, painstaking work building up residents' confidence, skills and aspirations matters at least as much as big capital

spending.
Started by The Newcastle Initiative, the project has focused private-sector, educational and public-sector attention on a small, deprived area of the West End where 2,000 people live. After two years' intensive effort by all con-cerned, about 160 people have found jobs and several small businesses have been created by local people. The area largely escaped the riots. Mr Ian Sharp, a Barclays

Bank manager seconded to TNI as assistant chief executive, doubts whether the private sector has the resources to repeat such an initiative throughout the West End.

Yet he has no doubt about its message: "Spending money is important, but the most important thing is getting people to respect the property, be proud of it and make it an area where people want to live."



ell a bank, an airline, or an elec-tronics manufacturer that a green combine harvester and a yellow

combine harvester and a yellow trench-digger herald their future, and you're likely either to be laughed at, or to be shown the door.

Yet the streamlined ways in which Deere & Co, the American agricultural and construction equipment maker, developed these two newly-launched products are very much leading edge examples of the kind of organisation which almost every company in every industry is struggling to create in order to survive against fast moving international competition: lean, flexible, and above all free of the departmental barriers between functional specialists which have condemned most specialists which have condemned most large western companies to lumbering bureaucracy over the last 70 years. As Deere has found over its last seven

years of learning how effective teams work, and as other companies are now

Deere ploughs on against the clock

discovering to their cost, the development of a flexible, team-based organisation is far harder and more protracted than most people realise

Along with a handful of other top American manufacturers, such as 3M and General Electric. Deere has long been General Electric. Deere has long been admired as a model of good new management practice. This remains true today despits its business problems: in a gloomy market, its financial performance, although depressed, is much better than that of its farm machinery rivals.

Back in 1984, the company's top management conceded publicly that what it called a "glitch" in relations between its different engineering merialists was make

different engineering specialists was making new John Deere products far too slow

and expensive to develop.

As a result, head office set about encouraging Deere's various divisions, which have always had a great degree of autonomy, to experiment with different ways of knocking down the walls between different departments, and especially between its product engineers (designers) and manufacturing engineers. This glitch is especially costly, since it results in lengthy delays when manufacturing engineers are handed designs which they find (or claim) to be incapable of efficient manufacture without extensive rework. In some parts of the group, such as the components division in central Iowa,

Deere started to use multifunctional project teams. In others, such as the Wiscon-

sin-based consumer products unit (best known for garden mowers) and hay mak-ing equipment (in southern Iowa) the top product and manufacturing engineers' jobs were merged into one, and demarca-tion lines below this level began slowly to be fudged. be fudged.

In still others, such as the large and high profile Harvester division, where a functional merger was resisted, the company experimented with bringing manufacturing engineers in at the start of the development process to sit at the design-ers' elbow for three days a week, and to approve drawings before these were sent off to the production department. But none of these early solutions worked particularly well, even when,

later in the 1980s they were combined with what has become known in western industry since 1985 as "parallel" or "simultaneous" engineering, in which different specialists work on several phases of the design and development cycle in parallel, rather than in the traditional sequence. John Gault, Deere's corporate director of engineering services, com-plains of "parallel tracks that hardly ever meet because of the lack of real integra-tion and communication". Under the pressures of a slump in US

demand for agricultural equipment since 1985, plus unprecedented competition at home and abroad, "much more far-reaching" ways of overcoming departmental barriers are new being tried at Deere. Two of the most far reaching are now vying with each other for adoption else-where in the group as different forms of what Gault calls "really integrated engi-

The two test beds are contrasting divisions: construction equipment at Dubuque, eastern Iowa, which had no history of multi-functional teamwork until three years ago, but is now going great guns; and Harvester, near corporate headquarters in Moline, Illinois, which has been at it since 1984, much longer than most, but under a visionary engineering manager is still far from satisfied with its efforts.

The lessons which Dubuque has learned from the development of one of its latest products, the \$38,000 (£21,839) yellow digger, are examined below. Harvester's experience, with plenty of trial and lots of error, culminating in last month's suc-The two test beds are contrasting divi error, culminating in last month's suc-cessful launch of an innovative new har-vester, will be discussed next Monday.

Digger demolishes divisions

Christopher Lorenz on how teamwork has transformed product development at the pioneering US company

yellow "backhoe" loader-digger which Deere & Co launched on the North American market a few months ago with the prosaic designation of "310D" may look and sound mundane. But it represents a great leap forward for the company, not just competitively against Case, Caterpillar, Britain's JCB, and its other rivals, but in terms of its

From a standing start three years ago this month the division which makes the digger has been trans-formed into one of the two or three units within Deere which have broken down departmental walls most effectively. In particular, it has brought product and manufacturing engineering much closer together and has shifted rapidly from tentative "simultaneous engineering" to what almost constitutes "integrated

engineering". Until September 1988, Deere's industrial equipment division, which, as well as backhoes, makes log skidders, crawler tractors and other less exotically-named construction and forestry machinery. was one of the most traditionally organised parts of the group. Its structure was entirely centralised and functional.

Then came recession, swingeing redundancies and a strike at the factory where backhoes are devel-oped and made in Dubuque, Iowa. Out of the crisis grew what man-

agement and labour at Dubuque called the "New Approach", in which strategies and information really are shared between manage-ment and employees. Decisions are also decentralised as far as possible in a structure based largely on individual product lines, in place of the previous functional organisation.



As part of an attempt to minimise the complexities of the previous organisational matrix, four-fifths of Dubuque's engineers have been shifted out of their functional departments into one of four almost self-contained businesses within the

As one of the four, the backhoe unit has been turned into a model of cross-functional collaboration under Roger Bridges, a fast-talking production man turned "operations manager" (in effect, product man-ager). Backhoe design, manufactur-ing engineering, production, purchasing and accounting executives all report to him. Only product planning and marketing do not have full responsibility to him. although product planning is located on the same site.

Below Bridges, product and manufacturing engineering "do everything together", says Ted Breidenbach, a product engineer by

our badges when we entered each others' territory." Now the two breeds share an open-plan office and the dividing line between their

skills is growing fuzzy. This near-merger has been backed up by Dubuque's rapid increase in the use of multi-func-tional simultaneous engineering (SE) teams within the backhoe unit, comprising product and manufac-turing engineering, plus specialists from welding, tooling, purchasing, quality and so on. The team mem-bers remain constant throughout the development and initial manufacture of each product.

The new approach has achieved striking results

• The 310D backhoe took only 18 months to develop, about half the time taken on a previous model.

The factory takes only 10 hours to make each machine, instead of five days (this saves \$1m a year in inventory costs).

The 310D met its develop

and product cost targets. This is a big achievement. "Almost every development project that we've had product has had to be cost-reduced after going into production", says

 The product's cost is 3.5 per cent below the previous model, despite having a host of new features. including a much better cab and, for the first time, a one-piece "mainframe", the base of the vehicle; this change was decided upon for marketing reasons, but not until a year before the end of the development

Contrasting these teams - which reach down several levels in the organisation – with the previous higher-level product development project team approach which Dubuque operated in the mid-1980s, Bridges says the latter was for the most part a mechanism for lightweight liaison across the old functional structure. The project team enabled us to start accelerating development by improving commu-nication and making sure the proj-ect stayed on schedule," he says.

"But it didn't do much for us in terms of the efficiency or quality of design, or the cost of those designs. Proper simultaneous engineering does this because of the full integration of the various disciplines into the process from the beginning of the project and right into production. This integration just wasn't possible under the old functional structure because of conflicts in reporting responsibilities, and in

Whereas some companies have limited their simultaneous engineering efforts just to product and manufacturing engineering, Bridges says: "We also realised that you really have to go beyond those two functions to influence all parts of the process, such as purchasing and various factory operations. There are many other inputs to the success or failure of a new product programme than just how it is designed and how the manufacturing engineering is done." development a
Unlike many companies, which
and August 21.

the priorities of team members."

training, who as division engineer for backhoes took on responsibility for both types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation." Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each types of specialist after the reorganisation. Before, we worked the reorganisation that the original types of the second class citizens. It is a second class citizens of the second class citizens of the second class citizens. The reorganization that the original types of the second class citizens of the second class citizens. The reorganization that the original types of the second class citizens of the second class gave manufacturing engineers five out of the seven team leadership jobs within the backhoe project. To Bridges "the background of the team leader isn't important — it's the type of person that is".

As for the thorny question of

whether different types of specialists in the new organisation really are prepared to share information with each other, Bridges underlines the importance of changes in the Decre-wide appraisal system, which no longer ranks people against each other but now rewards them for teamwork and performance against targets that include the service of internal "customers".

According to Gary Tindall, who worked alongside Breidenbach on the 310D project, and has particular responsibility for new products, "it's really personal relations that drive things here". None of Bridges people sees the current situation as perfect, however. Breidenbach says that, even after the changes of the last three years, there are still too many engineers of various types serving two masters: a functional boss at headquarters level at Dubuque and, beneath it, Bridges or one

of the other three business heads. Under pressure, Bridges says he may also be prepared at some stage to consider emulating the Harveste division by setting up more of a self-contained "skunkworks" organisation for new products. But, he says: "We're pretty satisfied with our current set-up.

Previous articles on rapid product development appeared on June 28



Moving beyond "simulta

UK CORPORATE CALENDAR

UK COMPANIES

DAY
PANY MEETINGS:

Steetley II TOMORROW COMPANY MEETINGS: AND MEETINGS:

Ward
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OCTOGER 2
COMPANY METTRUGE:
Merrydown Wine, Michelbam Priory, Upper
Dickew, Heilfsham, Egat Suesco. 12,00
Whitney Mackay-Lawfa, Asta House, 55-65
Whitfield Street, W. 3,30
SOARD MEETINGS:

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Queen Street, W.C., 11.00 Peel Hidga., The St. James's Clob, St. James's House, Charlotte Street, Marschaster, 12.00 Prismaticas, 197 Knightschridge, S.W., 12.00 BCAFE MEETINGS:

Recort Hotels, The Noricik Resort Hotel, 149 Kings Rosel, Brighton, 11.00 BOARD MEETINGS:
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Oldher 5% % Prf. 2.625p
P. 6. O Property Holgs. 7% % 1st Mag. Deb.
91/95 3.125pc.
Do. 6% % 1st Mag. Deb. 8994 3.375pc.
Do. 5% Uss. Ln. 18/99 4pc.
Paarson 5% % Ums. Ln. 58/93 4.125pc.
Do. 5 578pc. Ums. Ln. 58/93 4.125pc.
Do. 5 578pc. Ums. Ln. 58/93 2.5778pc.
Petroleos Mendenos 14% % Ln. 2005 7.28pc.
Petroleos Mendenos 14% % Ln. 2005 7.28pc.
Phoesis Timber 6% Prf. 2 tp
Portsacush Waser Co. 10% % Red. Deb.
1898 5.5575pc.
Do. 3% Perp. Deb. 1.5pc.
Do. 19% Red. Deb. 1.77pc.
Do. 19% Red. Deb. 1.77pc.
Do. 19% Red. Deb. 1594 6.5pc.
Property Holg. 3 inv. Tat. 7% 1st Mag. Deb
9066 4.3pc.
Public Service Entemprise Sücia.
Biff Capital Partners 2% % Crvv. Uss. Ln.
2000 1.25pc.

Readicut init. 674. Prf. 1.05p
Do. 5-1; % 2nd Prf. 2.0725p
Do. 5-1; % 2nd Prf. 2.0725p
Do. 5-1; % Una. Ln. 88763 4.375pc.
Rachiz & Cohman Capital Pin. 9-1; % Cnv.
Cap. Bris. 2003 4.77pc.
Renold 6-1; % 1at Dab. 90785 1.375pc.
Richards 7-2; % Dab. 5782 2.75pc.
Richards 7-2; % Dab. 5782 2.75pc.
Rights & Basonas Inv. 1st. 2-2p
River & Merc. Tat. 8-2; % Dab. 58794 4.25pc.
Royal Bank of Canada Filip. Rate Dabs.
2015 330,05pc.
Royal Bank of Canada Filip. Rate Dabs.
2015 330,05pc.
Royal Bank of Canada Filip. Rate Dabs.
2015 320,05pc.
Royal Bank of Sordand Ser. A Dill. Prf. 70,3125cb.
Do. Ser. 8 Dibr. Prf. 20,3338cba.
Royal Sold Hornaby 8% Dab. 58792 4pc.
3 & U Stores 8% Prf. 2.1p
SEP Ind. Heiga. Prf. 0.255gc
Salvessen (Christian) 8.5% Prf. 2.2p
Savoy Holat 8-2; % Una. Ln. 95794 4.25pc.
Saustronic Heiga. 3-1; % Cnv. Red. Prf. 2.975p
Sapa 87 Una. Ln. 9929 4pc.
School 5-1; % Cnv. Red. Prf. 2009/11 2.525p
Do. 3-2; % Find. Prf. 2007/105 4.425pc
School 5-1; % Cnv. Red. Prf. 2.009/11 2.525p
Do. 3504 17-1.28
Scottish Agricul. Sec. Corp. 10-1; % Dab. 3020 7pc.
Scottish Marr. Inv. Tat. 7-1; % Prf. 1.75p
Scottish Marr. Inv. Tat. 7-1; % Prf. 1.975p
Do. 17% Dab. 2011 Spc.
Scottish Marr. Inv. Tat. 7-1; % Prf. 2.25p
Scottishe Tat. of Scottand 4-2; % Prf. 1.975p
Do. 17% Dab. 2011 Spc.
Santh No. Heig. Prf. 1.575p
Do. 15% Una. Ln. 8797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 19; Mas. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 19; Mas. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 19; Miss. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 19; Miss. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 3-1; W Hus. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 3-1; W Hus. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 3-1; W Hus. Ln. 19797 5.5pc.
Statchiey 4.2% Prf. 2.1p
Do. 3-1; W Hus. Ln. 2759 5.5pc.
Do. 11% Una. Ln. 2757 5.5pc.
Do. 3-1; W Hus. Ln. 27 Do. 3-1 W. Plef. PH. 1.875p Scondinace D.85p Schollers D.85p SA Breverten 6.2% PH. 6.2cis. Do. 7% Red. PH. 3.5cis. Sovereign High Tried lev. Co. NY 70cis. Standard Chartered 12-2 W. Sch. Lins. Ln. 2002007 6-577pp. Saveley Inds. 3-5 % PH. 1.8375p Do. 7-2 % Uns. Ln. 88783 3.75pc. Do. 7-2 % Uns. Ln. 88783 3.75pc. Do. 7-2 % Uns. Ln. 88783 3.75pc. Saveley Luss. Ln. 88973 3.75pc. Spc.
Sterling Inds. 5¹2 % 1st Prl. 1.9259
THFC (Indexed) 3.95% IL 2020 3.0297pc.
TSB Parp. Fitg. Rate Nb. 1397.75
TSB Shill Samuel Hidg. Co. 5% Lins. Ls.
8094 4cc. T86 HIS Semisel Hids, Co. 8% Lins. Ln. 8044 4pc.
Tate & Lyle 64% Pri. 2.275p
Do. 74% Uns. Ln. 2003/05 4pc.
Do. 8% Lins. Ln. 2003/05 4pc.
Do. 104% Uns. Ln. 2003/05 4pc.
Do. 104% Uns. Ln. 2003/05 5,375pc.
Temple Ser Inv. Tit. 4,5p
Tendring Handrad Weterworten 7 ½% Red. Obt. 97/03 3.75pc.
St Group 9% A Deb 97/04 4,5pc.
Do. 74% A Deb. 97/04 3.25pc.
Tor Inv. 784. 65% Pri. 2.1p
Do. 44% Pri. 1.85pp
Transport Dev. 84, % Lins. Ln. 95/2000
4,555pc.
Transport Dev. 84, % Lins. Ln. 95/2000
4,555pc. Transport Dev. 94, % Uns. Ln. 96/2000 4825pc. Treasury 16-12 % Ln. 1998 7.73pc. Treatonat 28th Prinsters 6% Pri. 2.1p Tribroco Fin. 11-12 % Cev. Uns. Ln. 1998 6.73pc. Triplex Lleyd Automotive Prode. 7-1, % Uns. Ln. 81/81 3.875pc. Triplex Lleyd Autoractive Prode, 7-1, % (pre. Ln. 8181 3.875c. Triplex Lloyd 3-1, % Prt. 1.825p Uniques 3.876 Prt. 1.80p Do. 459% Prt. 2.875p Do. 57% Une. Ln. 8786 2.8pc. Do. 57% Une. Ln. 8786 2.8pc. Listed Kingdom Fep. Rate Ne. 1996 3.550 YEE, Concording 11% Une. Ln. 1996 8.8pc. Victore Prt. 57% 1.73p Do. 57% Prt. 1.73p Do. 57% Prt. 1.73p Do. 57% Prt. 1.73p

Wartung (S. G.) 75, % Pri. 2.8125p
Do. 95 Cov. Pri. 30
Warree Estate Hidge. 81₂ % Uns. La. St/ 95 3.25pc.
Hidde Ferroe & Co. Fig., Rate Sub. Cep. No. 1997 3184.85
Do. Fig. Rate Sub. No. 1802 500.55
Do. Fig. Rate Sub. No. 2000 250.69
Westband 12½ % Deb. 2008 6.1675pc.
Do. 74 % Deb. 87/82 3.875pc.
Do. 74 % Deb. 87/82 3.875pc.
Do. 74 % Deb. 87/82 3.875pc.
Whiteread tay Co. 7-12% Shppd. int. 2nd Deb. 2010 6pc.
Whiteread tay Co. 7-12% Shppd. int. 2nd Deb. 2010 6pc.
Whiteread 4½ % Red. Deb. 98/04 2.25pc.
Whiteread 4½ % Red. Deb. 98/04 2.25pc.
Whiteread 4½ % Red. Deb. 98/04 2.25pc.
Whiteread 6½ % Uns. Ln. 94/89 3.375pc.
Whiteread 6½ % Uns. Ln. 94/89 3.375pc.
Whiteread 6½ % Fri. 5.375p
Prison (Connolly) Hidge. 8½ % 1st Mig. Deb. 90/8 4 Fri. 5.25p
Do. 5½ % Cov. Pri. 2.575p
Do. 5½ % Cov. Pri. 2.575p
Yasuda Tri. 8 Bigs. 26 Fig. Rebe Gd. No. 2000 5778.09
Yorkshire Int. Fig. BV Gd. Pig. Rate No. 1994 5146.08
WYORKSHIP Int. Fig. BV Gd. Pig. Rate No. 1994 5146.08
WYORKSHIP Int. Fig. St/ Gov. Red. Pri. 3.5p
Allied Tendle Cov. 44p
Allied-Lycon 7½ % Red. Deb. 82/93 3.825pc.
Do. 5½ % Hed. Deb. 87/92 3.125pc.
Do. 5½ % Hes. Ln. 2.875pc.
Do. 5½ % Uns. Ln. 2.875pc.
Do. 5½ % Uns. Ln. 2.872pc.
Do. 5½ % Uns. Ln. 2.825pc.
Do. 7½ % Uns. Ln. 2.825pc.
Do. 7½ % Uns. Ln. 2.825pc.
Do. 7½ % Uns. Ln. 2.825pc.
Angle United 1.4p
Do. Cov. Red. Pri. 3.825p American 1st, 84, % Code, 87492 3,125pc.
Anglian Water 11.7p
Anglio United 1.4p
Anglio United Strikes Foods 9% Prf. 2.1p
Anglio English Foods 9% Prf. 2.1p
Anglio Reed 9% Prf. 2.8p
English Foods 9% Prf. 2.1p
Anglio Reed 9% Prf. 2.8p
English Harris Saundara 1.5p
English Harris Prode. 3.3p
English Harris Prode.
English English 1.5p
English English 1.5p
English English 1.5p
English 1.5p
English Princip 1.5p
English Princip 1.5p
English Princip 1.5p
English Harris World E. Store
English Saundar 1.5p
English Princip 1.5p
English Harris World E. Store
English Harris World E. Store
English 1.5p
English Harris World E. Store
English 1.5p
Englis 30: 12% Red. Deb. 2004 5.25pc.
Do. 11,2% Red. Deb. 2005 5.5pc.
Co. 11 % Red. Deb. 2005 5.5pc.
Co. 11 % Red. Deb. 2006 5.675pc.
Eritish Land Co. (Jersey) 5 % Chv. Cap.
Sda. 2011 (Reg.) 151.0411
Briton Eriste 10 % 1st Mig. Deb. 2012 British Land Co. (Jersey) 6°4 % Criv. Cep.
Bda. 2011 (Rep.), 25°1.04°11
Briston Estate 70°5 % tet Mitg. Deb. 20°12
5.2125pc.
Bucinali 3.5p
Cable & Wireless 8.1p
Cably & Wireless 8.1p
Cably & Wireless 8.1p
Cably & Wireless 8.1p
Cably & Wireless 8.1p
Cable 20°5 & Het Pri. 22°3p
Cap. 6°4% tet Pri. 22°3p
Cap. 6°4% tet Pri. 22°3p
Cap. 6°4% tet Pri. 1.2°3p
Carlot Bloom Auctions 1p
Cream 1.10°6 tet Pri. 1.2°3p
Contain Motor Auctions 1p
Cream 1.10°6 tet Pri. 1.2°3p
Contain Motor Auctions 1p
Chemical Bloom Corp. 25°5 Criv. Pri. 2.625p
Contain Motor Corp. 25°5 Criv. Pri. 2.625p
Contain Motor St. 1p
Contain Motor St. 2007 L5pc.
Courierted Coloting Benedia 7°s % Pri. 2.625p
Craig & Rose 5% Pri. 1.75p
Crast Motorian 5°2% Criv. Red. Pri. 2.75p
Crast Motorian 5°2% Criv. Red. Pri. 2.75p

Morten Sundow Paterics 6% 1st Prl. 1.75p. North West Water 12p Do. Reg. Int. Cert. IP* 12p Do. Reg. Int. Cert. 12p Northspater 2.2p Northspater 2.2p Northspater 2.2p Northspater 2.2p Do. Reg. Int. Cert. 12-4p Do. Reg. Int. Cert. 12-4p Do. Reg. Int. Cert. 12-4p Do. Reg. Northspater 12-4p Do. Reg. Reg. Ref. Cert. 12-4p Do. Owners Abroad Cerv. Red. Prl. 4.875p Owners Abroad Cerv. Red. Prl. 4.875p Patentionet Courses. Inc. 17-5ch. Daispair Foods 3.8p Davemport Knibwear 8.03p Devinurat 0.0p Ds. A MV 0.8p Dial Corp. Scis. Davidy 8. 8p Do. A NV 0.8p
Dial Corp. 36p
Dial Corp. 36p
Dial Corp. 36p
Do. 7% Grw. Red. Prf. 3.5p
Drownson 0.5p
Dyomon (J. 5. J.) 3p
Do. 7% Grw. Red. Prf. 3.5p
Dyomon (J. 5. J.) 3p
Do. A NV 3p
Eastborne Water Co. 3h % Red. Prf. 4.7p
Eastborne Water Co. 3h % Red. Prf. 1995
4.1873p
Bestron House 7 ½ % Crw. Red. Prf. 67rsly.
8½ %) 3.75p
Ester Water 9½ % Red. Deb. 9798 4.8978pc.
Do. 11½ % Red. Deb. 2009/05 5.8pc.
Do. 11½ % Red. Deb. 2009/06 6.878pc.
Do. 11½ % Red. Deb. 2009/06 6.878pc.
Do. 11½ % Red. Deb. 2009/06 6.878pc.
Do. 11½ % Red. Deb. 2009/06 6.8978pc.
Do. 11½ % Red. Deb. 11½ % Prf. 1.579
Do. High ino. Inv. Tet. 1.45p
Do. Universal lev. Tet. 1.45p
Do. Universal lev. Tet. 4.3p
Do. 5½ % Prf. 1.25p
Georeral Electric C/p
Ghoon 19½ % Uss. Ln. 8666 1.8878pc.
Grand 2.5p
Georeral Electric C/p
Ghoon 19½ % Uss. Ln. 8666 1.8878pc.
Grand 2.5p
Georeral 2.5p
G Claus S. W. Lina. Ln. 5665 1.6575pc.
Grand S. M.
Grand Mat. 45, W. Pri. 1.6525p
Grand Mat. 45, W. Pri. 1.6525p
Grand Mat. 45, W. Pri. 1.6525p
Grand Mat. 45, W. Pri. 4.75p
HSBG Hödgs. HSB.54
Hambers 7.9 W. Grat. Red. Pri. 3.75p
Hambers 7.9 W. Grat. Red. Pri. 3.75p
Hambers 7.9 W. Grat. Red. Pri. 2.75p
Hardy S. Hamsens 6.75 2nd Pri. 2.7p
Hardy Regused & Store 4p
Harywood Williams 4.5p
Do. Grav. Red. Pri. 3.375p
Hollan d.5p
Hall Corp. 2.72 % Red. 1886 (or after) 1.25pa.
Do. S. Y. S. 2nd Ins. 1.75pa.
(Tr Corp. Geta.
Hillspeccits, Morris 5.7; W. Pri. 2.275p
Do. 5.4 W. 2nd Pri. 2.275p
Ustraco, Mathisey 5% Pri. 1.73p
Do. 8% Crav. Pri. 4p
Johnson, Mathisey 5% Pri. 1.73p
Do. 8% Crav. Pri. 4p
Joseph Travatt Mertin Heige. 2p
Kalon 0.7p
Keystows Inv. Co. 11.7; % Dob. 2010/15 Jupitor Terbuti Merlin Hidge. 2p Kajon 0.7p Keyetane Inv. Co. 11³s Deb. 2010/15 6.6873bc. Kingsley & Forester 3.85% Prl. 1.925p Law Debenture Sp Kingsley & Forester 3.85% Prl. 1.925p Law Debendure 6p Lawrence (Weller) 2-1 % Crw. Red. Prl. 4.25p Leeds (City of) 13-1-1 % Red. 2006 6.75pd. Leeds When 1.75p Leeds When 1.75p Leeds When 1.75p Leeds When 1.75p Do. 3-3-3 % 1.75p Landsot left. 6.25p Lawrence 6.25p Lordon Int. 4.25p Lornto Sp. Lornto Sp. Lore (Mrs.) & Co. 64, % Cree, Red. Prt. 3.378p Lore & Bonar 2.7p Massifeld Brewery 11 2 % Deb. 2010 5.75pc. Marthell Shourites 2p Marthell 8.75p Do. Cas. Red. Prt. 3.25p McCarthy & Stone 51, % Red. Prt. 2003 4.575p McCartty & 190ms on your result in a 4,5759
Mean/Mar Gwalin B. Ip
Mean/Mar (John) Sp
Do, 194, Pri. 4.5p
Metropolities Wester 514, A 65/2003 1,5pc,
Do, Lambeth WW 376 Deb, 1,5pc,
McK Sant Holgan 1974, Red, Pri. 1997 Sp
Mid-Superar Whiter Co. 8°s, N. Rad, Pri. 1998

Patrantonic Comms. Inc. 17.5cts.
Palican to
Pa 0 0 St Pid. 1.75p
Pape 1.5p
Port of London Auth. 3-2 % 4849 1.75pc.
Port of London Auth. 3-2 % 4849 1.75pc.
Port Chadron 1.5p
Property Security Inc. Tel. 2.25p
Proving 8.5% Red. Prf. 4.4p
Chaerus Most Housen 7-2 % Cav. Red. Prf. 1.827p Prioriting 8.8% Red. Pri. 4.49
Casarra Most Houses 7/2 % Caw. Red. Pri. 1.8027)
Do. 1014 % fet Mig. Deb. 2020 5.125pc.
Culligati 0.77p
Reseting Corp. 5/2 % 1.75pc.
Ridiorisson with Misser 4% Cons. Deb. 2pc.
Do. 7/2 % Red. Deb. 51/89 3.73pc.
REA Hidgs. Fig. Rese the. I.s. 56/95 6.75pc.
St. Andrew Tet. 2.7p
Ser's Lee Corp. 22.5ce.
Searon Fidgs. 1.5p
Sears Roebtack & Co. 50cis.
Sevenn Trent 11.7p
Do. Reg. Int. Cort. Pr 11.7p
Do. Reg. Int. Cort. Pr 11.7p
Suber 11p
Smith Quarid S.) Hidgs. 8.75p
South West Wister 11.3p
Do. Reg. Int. Cort. TP 11.3p
Do. Reg. Int. Cort. TP 11.3p
Do. Reg. Int. Cort. TP 11.3p
Do. Reg. Int. Cort. 11.5p
Sphere Inv. 124. 65 Pri. 1.75p
Stewart & Wight 5% Pri. 1.75p Surioti Water 11½ % Ped, Deh. 65%
5.72p.

Do. 5% Red. Deh. 4.5pc.
Do. 7% Perp. Deh. 2.5pc.
Do. 4% Perp. Deh. 2.5pc.
Do. 4% Perp. Deh. 1.7pp.
Do. 3½ % Perp. Deh. 1.7pp.
Suthermorf Hidge, 0.3p
Symonde Eng. 7½ % Pri. 2.225g
Till Fer East Inc. 7st. 1.1p
Do. Symonde Eng. 7½ % Pri. 2.225g
Till Fer East Inc. 7st. 1.1p
Do. Symonde Eng. 7½ % Pri. 2.225g
Taylor Woodhow 1.85p
Do. 3½ % Not Map. Deh. 2014 4.7mil
Tharmes Weiter 11.5p
Do. Reg. Int. Cart. Ftp 11.5p
Do. Reg. Int. Cart. Ftp 11.5p
Do. Reg. Int. Cart. 11.3p
Town Control Securities 10½
Town Cartor Securities 10½
Town Cartor Securities 10½
Town Cartor Securities 10½
Transier Tech. 0.1p
Co. Figs. Inc. Cert. ET J. Co. Reg. Inc. Cert. FT J. Co. Reg. Inc. Cert. FT J. C. Reg. Inc. Cert. Ft J. Reg. Inc. Cert. Ft J. Reg. Inc. Cert. Ft J. Reg. Inc. Cert. Inc. Cert. Ft J. Reg. Inc. Cert. I 2625pc. 2625p

m wearestandy
Octolest 2
BCC 124, % Use, Ln. 2012/17 6.125pc.
Stepden Inde. 4.5p
British Gas 6.75p
CHT 2p
E-Systems Inc. 18.75cts.
CHt 2 Everurd 4.5p
Gartingers American Securities 1p
Hickop Pentecond 1.5p
Mai. Hidgs. 2.5p
Mai. Soci 7.51p
Talare 0.5p
Liolad Scientific Hidgs. 0.5p
Do. 5-5-7 Cre. N. Ped. Pri. 2.75p
Wagon Ind. Hidgs. 10.575p
Williamson Ten Hidgs. 15.5p
WHERSTON Y
GCTORER, 3
ASDA 2.55p
Johnson Group Cleaners 7p
Lioyde Bank 6.4p
MTE 1p
Merrydown Wine 6p
Poel Hidgs. 2p
Fedry & Glass Ind. 3.3p
Speer Li. W.I. & Sons 2p
Tomskips 7.05p
Whistoner Leisure 1.25p
Whistoner Leisure 1.25p
Whistoner Hidgs. 15p
Whistoner Hidgs. 15p
Britannich Assurance 8.2p
Browning-Ferris Inde. 17cts.
Britoner Macciny-Lynds 1.25p
Whistoner Hidgs. 1.5p
Gritoner Cop. 1cots.
Carles Cop. 1cots.
Carles Hidgs. 1.5p
Contast Cop. 1cots.
Carles Hidgs. 1.5p
Dendilin 1.650p
Colinan (E. Allaro) Inva. 9% 1st Mig. Data.
ST/82 4.5pc
Date Beatric Ind. 3. tp
Dunedin in. Grown Tet. 2.4p
English & O'seas Props. 0.3p
JS Pathology 3.7p
LASAO 2.3p
Liberty Lite Association of Africa 43cts.
London Merchant Securities 2.5p
Mean Statelin 2.2p
Mean Hidgs. 2.1p
Mean Maistein 2.4p
Mountaigh 0.75p
Premark Ind. 2.1cts.
Rea Brothers 0.25p
Real Time Control 3p
Schlemberger 30cts.
Scottleth American Inv. 1.02p
Shoroc Hidgs. 2.4p
Termse Finance (Jensey) 91-2 % Cro. Cap.
20. 15 % Cov. Cap. 5cts. 2006 (Br.) 4.78pc.
Toon 1848 21.5p
Victoria Carpor Hidgs. 4.5p
Zetters 2.2p
BATURDAY
COCTOBERS
Annation 2.2p
BATURDAY
COCTOBERS
BATURDAY
COCTOBERS
Annation 2.2p
BATURDAY
COCTOBERS
BATURDAY
COCTOBERS Do. 2¹2 % 1.25pc. Bradford Property Tet. 10¹2 % Prl. 5.23p Do. 7% Una. Lir. 52/57 3.5pc. Cleveland Piece Hidge, 4 % K trd. Deb. Cleveland Flece Hidgs, 44 % irrd, Deb. 2,125pc.
Do. 34 % irrd, Deb. 1,875pc.
Do. 34 % irrd, Deb. 1,875pc.
Concolidated 22 % 1,25pc.
Exinburgh law Te. 48 % Deb. 1986 2,875pc.
Mathematical As % Deb. 1986 2,875pc.
Mathematical As & Geo. Fd. 0,4p
Mathematical Whater West Middlesex WW
3% Deb. 1,4pc.
Do. Grand, function WW 3% Deb. 1,5pc.
Socitish North Tet. 2,1p
Treasury 38 % 1,5pc.
Do. 8% La. 20
Do. 8% La 20
B SHEDAY
OCTOBER 6
Basepton Prop. 74 % Los. 1 a 2 mag a conFINANCIAL TIMES SURVEY

HIROSHIMA

Ripples of the Tokyo securities scandals hit local exchange Page 4

Monday September 30 1991



relative isolation

■ New airport will end the

of the region Page 2

The 1945 atom bomb attack made the city a universal peace symbol. Now, it is intent on becoming a

high technology centre, while local officials are determined to deal with current economic challenges, such as a chronic labour shortage, writes Robert Thomson

In search of a broader role

Hiroshima's tragic past are on display for all to see. Monnments to the victims of the atomic bomb blast 46 years ago are scattered through Peace Memorial Park, and the city has self-consciously named streets, buildings and festivals to emphasise its role as a cen-

tre for international peace. While the city, and the prefecture of the same name, will always be associated with that terrible event, they are also a symbol of the future challenges facing regional Japan. Residents and officials have become a little uneasy with Hiroshima's role as a mossgathering monument to peace, and sense that the region is falling under the long shadows

cast by Osaka and Tokyo. Local businesses are preoc-cupied by the need to secure a labour force and are contemeast Asia that would once have created new opportunities in Hiroshima. About a third of small retailers are unable to find a successor to lead their business into the next century, either because of the lack of an heir or a lack of interest among potential heirs. Even its carefully cultivated

REMINDERS of undergoing renovation. Over the years, the annual ceremonies and public statements have tended to separate the Hiroshima bombing from the Pacific war, while nationalistic groups have used the August anniversaries to further the myth that Japan was the "vic-

tim" and not the aggressor.
This year, for the first time, Mr Takashi Hiraoka, Hiroshima's mayor, told the annual gathering that Japan's wartime brutality in Asia and the Pacific must not be forgotten. That message is certain to be refined in the next few years, as Hiroshima will host the Asian Games in 1994, and is conscious that Japan's neighbours are unwilling to share in celebrating the "victim" myth.

Local people call Hiroshima the "ABC City". The "A" is for the atomic blast, "B" is for its status as a branch economy, as most government agencies and large companies have a branch in Hiroshima, and "C" is for the Hiroshima Carp, the loved

but often beaten baseball team. There is general agreement that due attention has been paid to A, and the fortunes of C have improved this year, but local officials are determined to maintain the branch econ-omy status. They fear that the

spreading influence of Osaka, to the east, and of Fukuoka, to the west, is lessening Hirochima's economic importance and that some of those govern-ment or company branches could close their doors.

The city had hoped to benefit from the redistribution of gov-ernment departments that was to accompany the decentralisa-tion of Tokyo, the capital. But the gains have come slowly. After a decade of debate, the central bureancracy has seen fit only to grant Hiroshima a 37-person department researching the fermentation of sake, Japan's rice alcohol.

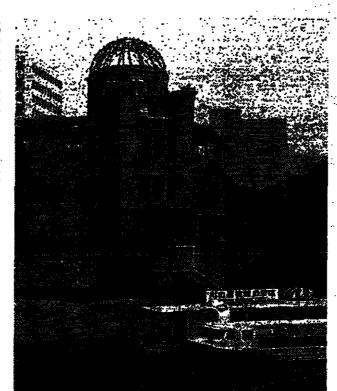
Having won this small con-cession from the buresucrats in Tokyo, Hiroshima officials recognise that they are responsible for renovating the econ-omy and retooling an indus-trial base that has been in relative decline against the rest of the country since the oil shock of the early 1970s. Hiro-shima has been dependent on steel production and shipbuild-ing, and the local economy continues to rely heavily on Mazda Motor, the car maker.

Mazda's output amounts to 17 per cent of all production in the prefecture, and 25 per cent if suppliers are included. But there is concern that the flow of Mazda money to the local or mazes money to the stocal economy will be increasingly diverted to plants in other pre-fectures and countries, as the difficulty of finding labour and the rising cost of production in Japan are good reasons for building factories elsewhere.

Currents in the flow of human resources are also a source of concern. A prefectural study found that 53 per cent of Hiroshima young peo-ple studying at universities outside the prefecture, whether it be in Tokyo or another city, do not return to Hiroshima. In response, the government has established an office to encour-age what is called the U-turn, the return of qualified young

Tokyo's bright lights continue to lure young people from most other areas of Japan, though Hiroshima feels vulnerable because it has been slow to develop an information sector that would offer graduates a greater variety of jobs and would contribute to revit-

people to Hiroshima.



The Atomic Bomb Dome in Hiroshima's Peace Park

It is also argued that a sophisticated information industry would ensure that local companies are well-equipped to compete in the national market, and would encourage outside companies to use Hiroshima's services. There is a push to develop the computer software industry and a campaign to make Hiroshima a "convention cenbroader campaign for a redis-tribution of central influence. tre", though the latter, like the vaguely-defined "design services", has become a fa able goal among regional Japa-nese cities in recent years and

competition is tough. Slowing the momentum of Tokyo's growth as an information centre will not be easy, as the capital is reckoned to have 77.5 per cent of researchers, and 51.1 per cent of total workers in the information industry Hiroshima is estimated to have a mere 1.2 per cent of

those workers. The strength of Tokyo has prompted Hiroshima and the

three other cities considered to be "branch economies", Sapporo and Sendal in the north, and Fuknoka, to consider a joint effort to win a greater share of central government functions and money. Representatives from the four centres met in Hiroshima in July, but there remain problems of balancing deeply-rooted local loyalties and the desire for a

Professor Shoichi Yamash ita, of Hiroshima University's economics faculty, says the get-together was important because it showed that the four centres shared an awareness of the need for action: "There has been so much talk about decentralisation, but the fact is that the reverse is true. We are continuing to see the centralisation of functions in Tokyo, and companies have to go there for

The prefecture has been pushing ahead with the devel-





Historia: brutal reminder

opment of infrastructure to ensure that physically, at least, it remains the centre of the regional transport network. A new airport is due to open in December 1993, and if the prefecture gets its way, will have a runway of 3,000 metres, making it the equal fourth largest in the country and capable of handling a larger range of international flights. Tokyo officials would like to limit the runway to 2,500 metres.

Congestion at Tokyo's inter-national airport and delays in the construction of a new airport at Osaka have provided opportunities for regional areas to establish international air routes. A service between Seoul, the South Korean capital, and Hiroshima was launched in July, and it is expected that there will be an expansion of routes to southeast Asia countries, which have struggled for new landing

slots in Tokyo. Hosting the Asian Games

will also broaden the area's ties with other Asian coun-tries. Hiroshima University is keen to attract students from other countries in the region.
Having worked to become "international", Hiroshima is sensitive about foreign reaction to the spate of Japanese financial scandals. While the focus has generally been on Tokyo-based companies and the Tokyo stock exchange, there is disappointment that the stain has damaged the rep-utation of the country.

Mr Toranosuke Takeshita, the governor, says the scandals have done "terrible damage to our reputation", and have pulled domestic political debate away from proposed political reforms, which would lead to a literal redrawing of the political map by creating sm single-sest constituencies for the national parliament.

He believes that restoring the reputation for fairness of Japan's financial industry should be a priority because trading partners may use the scandals as an excuse to block access to Hiroshima-made products: "We have a lot of for-eign customers. About 22 per cent of our total production is

exported."
The scandals also heightened the sense of injustice among smaller Japanese companies, which presumed that larger companies received more favourable financial treatment, but which have now had the hard evidence of this favouritism revealed at great length. It was a point of pride in Hiro-shima that Mazda Motor was not on the list of famous names compensated by leading brokerages for their trading

Small companies are all the more annoyed because of a per-ception, that they bear an unfair financial burden arising from the excesses of larger companies, which used cheap-ly-raised funds to play the stock markets. The Bank of Japan pushed official discount rates higher to slow this speculation and to ease inflationary pressures arising from an over-heated economy. A result of higher interest rates and of banks' concerns about their capital adequacy levels has been that smaller companies are paying more for funds that are more difficult to obtain.

IN THIS SURVEY

The days of the small retailer may be numbered

Who will benefit from political reform? Page 2 ☐ Rice imports may soon be allowed, putting pressure on highly protected farmers

Mazda is the city's largest employer. Will ties to its tra-ditional base be weakened?

tries Page 3

The 1994 Asian Games will be a big fillip to the area's tourist revenues Atom bomb's victims are commemorated at Peace Park - with Koreans on the

Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that "now is a tough time for all banks and we are trimming bonuses and salaries".

But he emphasises that the economy is "generally strong".

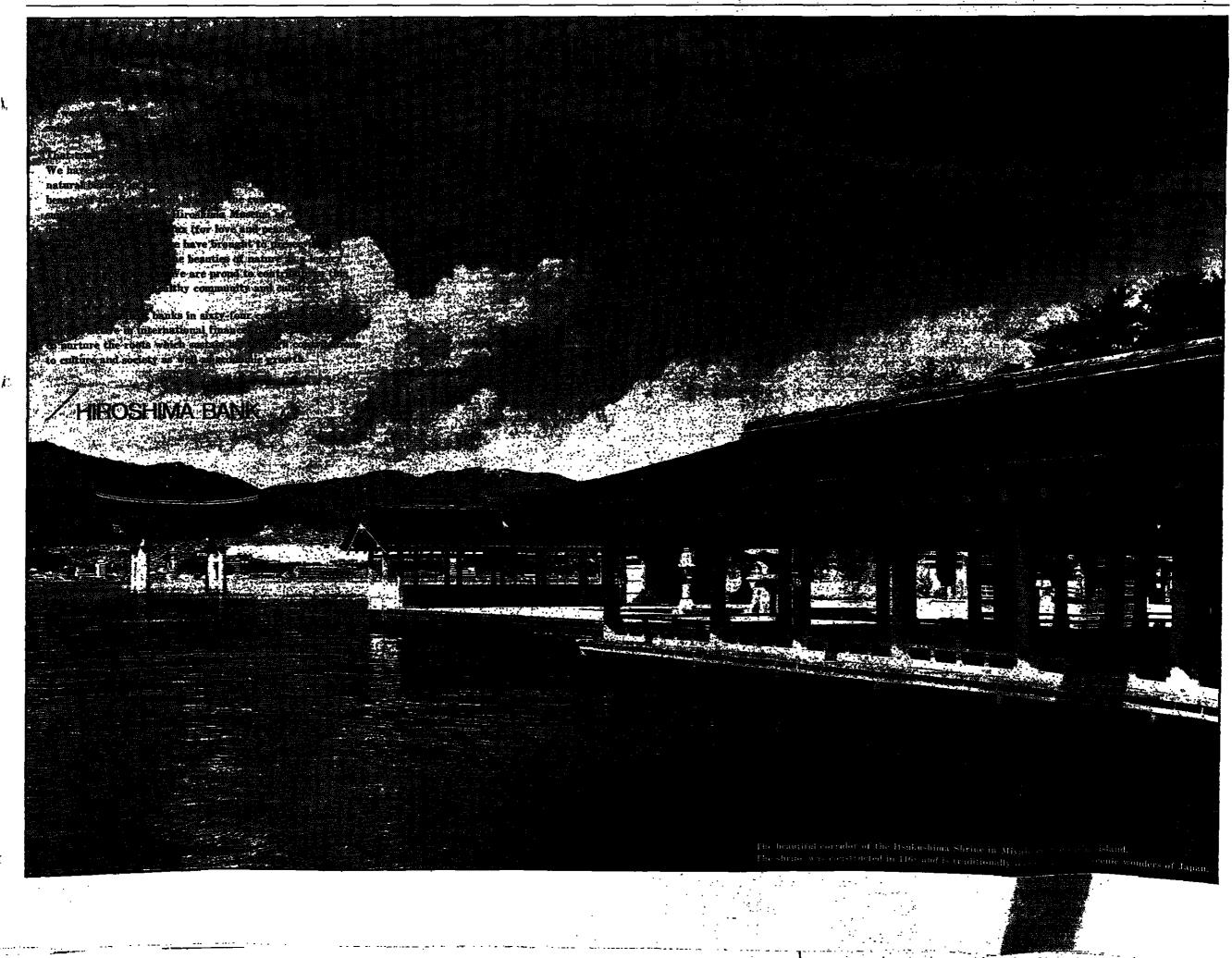
in Hiroshima and nationally. Economic growth for this year is estimated at between 3.3 and 3.8 per cent, down from the 5.9

per cent of last year.

As for the A of Hiroshima's ABC, the mayor, Mr Hiraoka, is hoping that his speech recog-nising Japanese aggression will be a step on the way to a broader consideration of the atomic bomb and to the word peace", much used as it is in the region.

"We decided in 1949 to make Hiroshima an international peace city. Now, we are study-ing that role," Mr Hiraoka says. His comments on August 6, expressing regret for Japa-nese aggression, took courage, as extreme right-wing groups have reacted violently against officials danigrating the military's wartime role and, in par-ticular, highlighting the responsibility of Emperor

Mayor Hirsoka's comments were an indication of Hiroshima's development as a genuinely international city, con-scious not only of injuries suffered, but also of injuries inflicted. It also reflected a more general willingness to transform a sometimes narrow view of the past into a broader vision of Hiroshima's role within Japan and in Asia.



HIROSHIMA 2

Steven Butler sees a new airport take shape

Better links on way

ON TOP of the rugged mountains 50 kilometres to the north-east of Hiroshima city, dozens of giant trucks and excavators are busy at work reshaping the earth. For the past two years, in a scene of Stalinesque proportions, they have been steadily chopping down the pine forests and bamboo groves that once covered the hills, hacking off the tops of the mountains and filling in the valleys.

In another year, the job of levelling will be done and concrete will be poured in. By the end of 1993 Hiroshima's new airport will be open for business. It is an event that seems certain to transform Hiroshima because it will end the relative isolation of the region Com-bined with extensive road building and completion of the city's mass transit line, a significant restraint to regional development will be lifted. Although it is a famous

place - mainly for having been destroyed by an atomic bomb at the close of the Second World War - Hiroshima is hard to get to from outside Japan. It has an inadequate airport – a single landing strip, with no parallel taxiway, 1,800 metres long and 150 metres wide. It is barely large enough to handle the A-300s and Boeing 763s that land there now, and even this is impossible when the weather deteriorates. Only international flights from nearby des-tinations such as Seoul are

A traveller from the US must pass through highly congested Narita Airport, which serves Tokyo from a distance, and take the train to Hiroshima, or transfer to Haneda Airport for an internal flight. Osaka, however, has no connecting flights, forcing passengers to complete their travels by a rail journey

of several hours. The new airport will solve many, and perhaps all, of these problems. The go-ahead has been given for a 2,500 metre runway at the airport, and hopes are high that approval will be forthcoming from the Ministry of Transportation. which will own and operate the airport, to extend this to 3 000 metres. This would allow landings by long-range aircraft from the US, Europe or Singa-

Given local traffic demands

and the congestion at Tokyo and Osaka in international traffic, Hiroshima could become an important regional hub. Strong interest has already been shown by international carriers. This would give Hiroshima the opportunity to expand on its already considerable international business ties which have been built principally through Mazda, with its link with Ford Motors, and

Mitsubishi Heavy Industries. The airport is being built at a total cost of Y72bn (about £310m), including an estimated Y5bn for land purchases. The land acquisition cost is amazingly cheap for Japan, a result of having decided to build in an undeveloped mountain area, although airport officials admit there were a few "prob-lems" convincing some local residents to vacate the land. The airport has also not been without controversy. Aeroport de Paris lodged a complaint

after its bid to design the terminal was rejected in favour of consortium that included Hirata Matsuda Design, Create Yamanote Design, and Austin Company, a US company. The French company complained that the procedure by which the winner was selected was unclear. It suspects a combination of US political pressure, and favouritism toward the Japanese participants, swung the deal unfairly away from it. Bids for building the terminal, expected to cost between Y10bn and Y12bn, will be due in March or April next year,

there will be more construction. Far more land was procured at the site than will be used by the airport proper. A hotel and leisure complex will be built and, it goes without saying, a golf course. The new airport will be less than an hour from Hiroshima central by car, or by a combi-nation of train and shuttle bus. Although the downtown airport is slated for closure, pressure is building up to keep it at least for shuttle flights to Tokyo. By the time the new

airport is open, getting around the city itself should be a lot

easier since the mass transit

and will be open to interna-tional companies. Eventually,

system currently under con-struction will be finished. Traffic on the streets of Hiroshima is not too congested by Japanese standards for most of the day. The crunch comes during the morning and evening rush hour. Over the years as the city has grown, residents have moved increasingly

to suburban areas which tend to lie in valleys between the hills that surround the city. As a result, traffic is channelled into passes that create frightful bottlenecks during the rush The answer has been to build an 18.4km elevated light

railway system, above a newly constructed highway, from the city centre in a broad semi-cirinto one of the principal suburban areas. Plans for the line were extended to the athletic stadium for the Asian Games. Proposals are under consideration to complete the line into a circle, and to build other extensions and feeder Downtown, parts of the line

will be underground. The line is being built at a cost of Y130bn, two-thirds of which is supplied by the central govern-ment. Prising money out of the central government for projects like this has become easier, says Mr Takeshi Komegami, a section chief in charge of urban transportation at the Hiroshima Prefecture construction bureau, following the US-Japan structural impediments

Japan agreed at the talks to boost domestic demand by spending more money on pub-lic works projects. This has allowed money to be spent more quickly, and has sped up construction on certain parts of the line. It will not, however, result in an earlier completion of the line, as some parts of the construction timetable are not easily changed. When the line is completed

Hiroshima will have to decide what to do with its antiquated streetcar system. Hiroshima has become something of a depository for old streetcars when other cities in Japan, and overseas, pave over the tracks to make way for faster buses and cars. The streetcars are slow, and can create traffic jams at intersections. On the other hand, they are very cheap to operate and they are clean. And it would be difficult to justify building a more intensive mass transit system unless traffic volumes grow beyond all current expectaTHE fifth generation of a theatre-owning family. Mr Noboru Tsuji colours his conversation with appropriate theatric gestures. These emphasise his opposition to US-inspired changes in Japanese laws that will speed approval for the development

of new shopping complexes. Mr Tsuji's Toyoza cinema is perched above a department store in downtown Hiroshima. but he fears that filmgoers, as well as shoppers, will be lured away to planned shopping centres on the fringe of the city. "The small stores near these new centres will benefit, but the retailers here will suffer."

The change in retail development laws was a result of the Structural Impediments Initiative (SII), the US-Japan talks designed to reduce Japan's bilateral trade surplus by removing "structural" obsta-cles to imports. Obstacles cited by US negotiators included a convoluted distribution system and the protection of small retailers against new, large stores which, the US presumed would have more shelf space for foreign products.

In the past, approval for new complexes has taken a decade or more, and many planned developments were scrapped after failing to reach a compro-mise with existing retailers. Small retailers are a formida-ble lobby group in Japan, and had warned the ruling Liberal Democratic Party (LDP) that they would shift their support to opposition parties if reforms were introduced

After making clear that small retailers would be compensated, the parliament last May passed the Large-Scale Retall Store Law, which forced local authorities to act on

MR Hiroshi Oyama is a politician who has a right to speak with self-confidence. Aged 72, he has been in politics for 50 years and has been head of the local prefectural organisation of the ruling Liberal Democratic Party for 40. "We worked very hard," is his understated response to why the LDP did so well in the last election.

There was clearly more to it than that. In local elections in April the Hiroshima Prefecture LDP trounced the opposition as never before. Out of 69 seats in the prefectural assembly, Mr Oyama's party won 48. This was in part a clawback from the "disappointing" results four years previously, when the LDP was under a cloud because of popular opposition to the (then proposed and now enacted) consumption tax.

RETAILING

The last picture shows

development plans within a year. Controversy has aiready been stirted by the plans of Toys R Us, the US toy store chain, open complexes in provincial Japan.

Hiroshima retailers are still waiting for a symbolic fight against a foreign retailer or an out-of-town Japanese company with ambitions to move in on their territory. The complexes already on the drawing board have been there for up to a decade, and are being developed by local department store chains which are conscious of the need to keep small retailers

But Mr Tsuji and other small shopkeepers fear that a complex called Alpark on the outskirts of the city could be the beginning of the end for downtown retailers. Alpark has two large retailers, Hiroden and Tenmaya, 180 speciality stores. and a few crowd-drawing gim-micks, including the clever Acqua Avenue, a cave-like aquarium that leads customers into the complex

Alpark was opened a year ago, but the spread of sales has not gone according to the two large stores' plans. Their sales were 10-15 per cent below expectations, while those of the small retailers, on average, were about 40 per cent more than expected.

Mr Sugayuki Ishizaki, Hiroden's head of planning, says his store's difficulties have been heightened by a 30 per cent increase in wages for

The amusement arcade in the Alpark shopping complex

part-time staff, a result of Japan's labour shortage, and by higher interest rates: When we started planning six years go, interest rates were at 3 per cent, and now they are 7

Tokyo has set aside Y162bn

to "encourage" small retailers, who see the cash as compensation for the new legislation. The money is intended to be used for the renovation of pavements, the improvement of shopping arcades, and to assist in the funding of events designed to attract attention to small retailers.

A street festival organised by 20 small retailers not far from Alpark received Y500,000 in government assistance, with part coming from local authorities and part from the central government fund. The money

went to hire an "idol", a reputedly cute young pop singer, and a rock band with "beauti-ful girls", the publicity sheet boasted.

According to a store owner in the area, the festival was a success, but the time taken up in paperwork for government financial assistance was cumbersome. "The spectators at the festival bought a lot of things. We had different kinds of people come, and it helped our reputation." But he remains unsatisfied, claiming that Alpark has resulted in a 20-30 per cent fall in sales among the group.

"I don't like the look of the future. In five years' time, the small retailers could be eaten by the big. We have an important role in people's daily life We are convenient suppliers of

daily items and we play an important role in keeping neighbourhoods asie by keep

ing an eye on who is possing by he says.

Another serious threat to small retailers is the shortage of successors to keep family businesses alive. Mr Minoru Tabata, managing director of the Hiroshima Small Shopkerpers' Association, says that a third of all small family busnesses rould fold because the proprietors' children are not interested in carrying on the

He says that potential sucdifficult work, and would prefer an uffice job ur, perhaps, to move to Osaka and Tokyo. The labour shortage has given young Japanese more job options, and there is no longer the same sense of obligation to continue the running of a famile business.

Mr Tsuil of the Toyoza cinems has that problem. He is likely to be the last of his line to run theatres. He has no male heirs, and he thinks that the business "too difficult" for his two daughters to run. His family originally operated kabuki theatres, and by the 1940s, controlled 15 cinemas. Now only one r mains, and that is supported by the land rent paid by the department

store downstairs. "It's very sad to see old fam-ily businesses falling into dis-repair. Couples in their 70s and 80s don't have the energy to maintain their shops and they are not looking to the future, so they don't invest money in renovating rundown stores. They are just concerned about making enough to survive."

Robert Thomson

POLITICS

Prospects for reform

At that time the LDP took only 40 seats in Hiroshima. Japanese politicians, it would appear, judge success by a dif-ferent standard from the rest. In the security of his position Mr Oyama is unexercised by some of the key political debates of the day.

"Every party understands that political reform is neces-sary," he says, referring to efforts by the LDP national leadership to reform the election system. "The major issue is how to have politics without

However, Mr Ovama says says: "They (the ruling party)

that sending gifts and telegrams to constituents at important events is a long-ingrained habit that will not end just by instituting a small, single member district system for election to the national diet to replace Japan's single vote, multiple member district sys-

Mr Toshihiro Kanbara, secretary-general of the Hiroshima Prefecture branch of the Japan Socialist Party, the main opposition party, gets rather more excited about the prospects for political reform. He

were supposed to resolve the problem of politics and money, but they did not resolve it and instead are talking about political reform. "We are concerned that the

LDP is trying to use the issue of reform to monopolise the Japanese political system." leagues worry that under a sin-gle member district system, the JSP would lose many of the

fourth, in elections for the

national diet. They have

enough trouble keeping the

Mr Kanbara and his colseats it now wins when its candidates come in third, or even

Compared to the LDI's local comeback in prefectural elec-tions this year, the JSF's seat total declined from a paltry 10

JSP's head above water as it is.

The JSP secretary general blames the result in part on the ruling party's superior access to money. He says the prefectural branch has a special role to play in Hiroshinta as the party of peace. It is thus a local party with a foreign policy - to keep alive the mem-ory of the atom bomb and to oppose testing of nuclear weap-

Mr Kanbara wants Hiroshima to be declared a nuclearfree zone. He is convinced that the people of the prefecture support this, even if they do not vote that way.

Steven Butler

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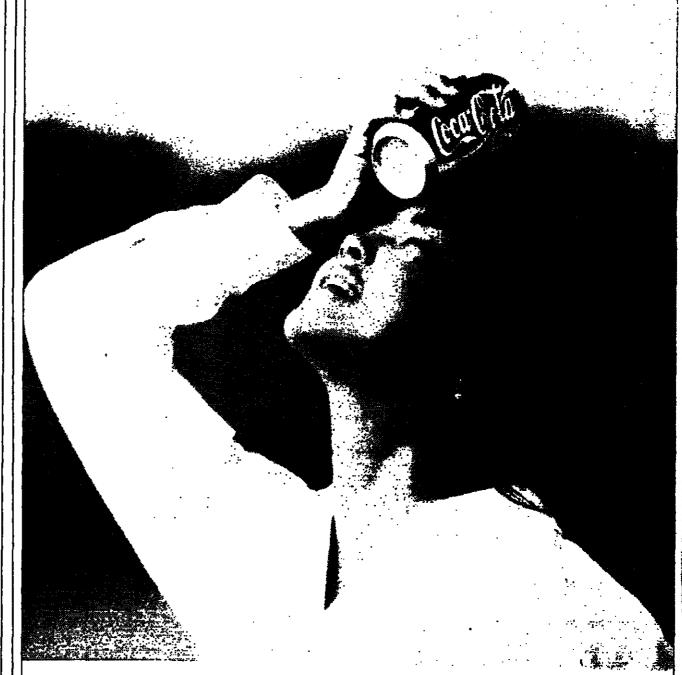


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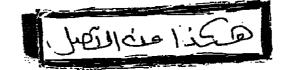


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limits to the amount of land

which can be converted. "It is not so easy to change rice-farming land to other uses," says Mr Furukawa of the Cen-tral Hiroshima's Farmers'

linion. He adds that the com onion. He ados that the com-pensation offered by the gov-ernment – between Y15,000 and Y25,000 for every 100 square metres converted – is

The government is also try-

ing to increase the efficiency of existing production. Low inter-

est loans are available to buy land and farm machinery. Cur-

rently, the average farm size in Hiroshima is a mere 0.73 hect-

ares - a fiftieth of the size of the average British farm and

little more than the size of a backyard in US and Australian

counterparts.

Again rural government offi-

cials report progress. But the price of real estate and the

reluctance of members of the

rural community to part with

land which has often been

passed down through several generations is limiting the suc-

cess of the policy.

The underlying problem is

the teaching of new tricks to old farmers. Young Japanese continue to leave the country-

side for more attractive jobs in the city. Mr Nagao's son — a typical example — works for a company in Hiroshima and

puts in only two or three days'

work on the farm every year.

So, just as international

pressures for the opening of

Japan's agricultural markets

create an imperative for

reform, in Hiroshima, as in the

rest of Japan, the changes

which have already occurred

HIROSHIMA 3

Nabuo Nagao, a rice and broom farmer who lives to west of Hiroshima city, almost a third of his me from a local govern-t job. But what is unusual w much, rather than how Mr Nagao is dependent

is land.

ne than other Japanese ting district, Hiroshima cture, which also takes in surrounding countryside. seen a steady reduction in ulture as a proportion of

ly 6,000 of the 100,000 ers there depend on agri-tre alone, while, on averonly 7 per cent of farmers mes derive from farming. compares with the mal average of 18 per cent is the lowest proportion of fecture in Japan.

it despite this, the numer-challenges which are con-ing Japanese agriculture, the demographics of an ng population to market alisation, are of real conto the people and govern-t of the prefecture. most one-seventh of its le agricultural income unts to about Y140bn

n) per year. Then we compare oures with other prefectures situation is not so diffisays Mr Michihiro Nakai. tor of agricultural policy uch in the prefectural govnent "But there is still an rtant need for restructurund it is an emotive issue." te most sensitive aspect of acturing is the opening of n's inefficient and highly ected agricultural markets reign products. In particu-the government in Tokyo ers to be on the verge of

OSHIMA PREFECTURE

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company, was one of the

o set up in the area in

AGRICULTURE

Shadow over the rice fields

allowing imports of rice, by far the most controversial element of agricultural liberalisation. Resistance to the move has been strong. Farmers and local politicians regard the rumoured 5 per cent opening of the market as the beginning of a slippery slope which will lead to substantial market access for (oreigners In defense of for foreigners. In defence of their case, they present an array of arguments ranging from food security to the importance of rice farming in Japanese traditional culture.

But for many farmers there is a sense that market opening is inevitable. "My heart is against liberalisation," says Mr Nagao. "But when you look at the world and you look at the Japanese situation, I believe that we cannot avoid it."

The task now, both for farmers and local government officlais, is to prepare for a more competitive environment. This means diversifying into new products and increasing the efficiency of local production. Rice is still the dominant agricultural product in the prefecture: 32,000 of the area's

rice amounts to Y52bn, compared with Y14bn for fruit and Y18bn for vegetables. To reduce the dominance of rice production and to encour-

age agricultural diversifica-

70,000 hectares of farming land are paddy fields. Income from



Farmer Nagao: "Unavoidable"

tion, the government is urging farmers to convert one-third of their paddy fields to new prod-ucts. Since 1978, according to the farmers' union in Hiroshima, about 14,000 hectares of paddy fields have been converted. Mr Nakai, at the prefectural office, reports that grapes and orchids, to aubergines and grapefruit, are now being grown in Hiroshima.

But the task is not easy. Changing the ways of farmers is difficult in any country and is further complicated by social patterns in Japanese agriculture. Rice-farming is regarded as important in maintaining Shuraku - groups of house-holds which form farming cooperatives particularly in the remote areas of the prefecture.

are making the necessary restructuring hard to achieve. Moreover, farmers' represen-tatives argue that there are John Ridding John Ridding profiles the city's biggest employer

Mazda in the fast lane

WHEN A Mazda car pulled past its Mercedes and Jaguar rivals to take the chequered flag in the 24-hour Le Mans race earlier this year, there were loud cheers from the people of Hiroshim

The company, the country's fourth largest automobile man-ufacturer, is by some distance the city's largest employer. Its victory - the first by a Japa-nese car maker - prompted celebrations well beyond its

giant dockside headquarters.
The celebrations bear testament to Mazda's close relationship with the city. The company represents about 17 per cent of industrial production in Hiroshima prefecture, and 25 per cent if group suppliers are included. The success of Hiroshima and its environs are thus bound up with the suc-

cess of its car company.
Off the race track, the going is not so easy. Like all Japanese automobile manufacturers, Mazda is currently facing a slowdown in sales and a fall in profits after four consecutive years of impressive progress.

The downturn is the result of recession in overseas markets and a cooling of the Japanese consumer boom. But Mazda is coping better than most of its Japanese, and virtually all of its international, competitors in responding to the more difficult environment. Its business strategy should position it well for the next

Part of the company's strategy is to move its products upmarket. With its new models, as at Le Mans, Mazda bas been closing the gap on the top European and US producers. Although its cars are not yet the equal of top-of-the-range Mercedes and BMWs they are looming ever larger in rivals'

rear view mirrors.

The policy of moving upmarket, manifest in the stylish new Sentia model, has been prompted by several factors. On the one hand, the company is aiming to accommodate Mazda owners as they graduate from its entry-level and low cost models. At the same time. cost pressures and competition from cheaper producers overseas has encouraged a move to bigher value-added vehicles

and raised profit margins. But the introduction of more luxurious vehicles, which will be taken a step further with the unveiling of new vehicles at the Tokyo Motor Show next month, is only one part of a

three-pronged strategy.
The company is also seeking to exploit niche markets. "We are a medium-sized company and that brings us advantages which are not available to giants like GM or Toyota," says one executive. "In particu-lar, it allows us to be flexible and to exploit various niches in the industry.'

One of the most successful cases has been the Miata, a two-seater convertible sports

cessful new industry has taken root in Hiroshima and local officials are doing their best to promote the area's strengths.

These, they argue, include relatively cheap land, an improving transportation system, and proximity to a quality university. The campus of Hiroshima University is moving gradually to a greenfield site out of the city centre in East Hiroshima, not far from the science park.

The natural environment and recreational spaces of Hiroshima are vastly superior to Tokyo. Persuading more young people of the virtues of living in a provincial city is an important key to solving a problem that is as severe in Hiroshima as anywhere else in Japan: the shortage of labour.

the end of last year. The MPV, something between a jeep and a van has also been a success vehicles has been made possible by a change in the way Mazda makes decisions on new products. In 1987 the power to decide which cars to launch was shifted from the relatively conservative marketing department to the company's product

planning department. In essence this involved a shift in philosophy from introducing vehicles which satisfied existing consumer demands to those which shaped and cre-ated new tastes. "The change

A shift from vehicles which satisfy existing consumer demands to those which shape and create new tastes

is what lies behind the Miata and the MPV," says one com-pany official. "Without it they probably wouldn't have been launched.

But a company such as Mazda cannot live on niches alone. Most of the cars which roll off the Hiroshima production line at the rate of one every 54 seconds are still the 121s, 323s, and 626s which the company describes as its bread and butter". Maintaining such a solid base of main-stream vehicles is the third prong of the company's design

and production strategies. There has also been new thinking on the company's approach to marketing. Mazda now has five sales channels, each aimed at a segment of its customer base. They are designed to replace Japan's traditional door-to-door sales system through the installation of attractive showrooms.

The success of the new policies is not immediately apparent in the statistics. Mazda's production and domestic sales are down slightly in the first six months of this year, and profits are forecast to fall from Y49.1bn to Y35bn for fiscal 1992 as a whole

But the decline in sales is an industry-wide phenomenon, with other manufacturers worse affected, and is expected to reverse towards the end of this year. The decline in profits is attributable to the increase Steven Butler in depreciation costs resulting from ambitious capital expenditure over the last few years. Nonetheless, there are ion ger term, more substantial problems facing Mazda and the rest of the Japanese motor industry. An acute labour shortage is making it harder to recruit the workers and engi-neers which Mazda needs and is forcing employment costs upwards. As the company has to offer higher salaries to new recruits, so it has to adjust the

pay of previously employed The company's traditional response has been to automate. But a tour of even the oldest production lines at Hiroshima suggests there may be little more to be squeezed from the introduction of more robots. So now the solution is seen partly in new production sites.

One of them is the compa-

ny's factory in the neighbour-ing Yamaguchi prefecture. The decision to extend production facilities there reflected, among other things, the greater availability of labour. A second problem, common to the other Japanese car-makers, is the threat of protectionist sentiment in overseas markets. The big three US producers have accused Mazda of dumping mini-vans and are wary of the expanding share of Japanese cars at a time when the overall market is shrink-

ing. The EC will maintain tough restrictions on Japanese car imports after 1992. To circumvent such disputes, Mazda's policy has been to localise production. Its factory in Flat Rock, Michigan, produces 184,000 vehicles a ar and satisfies most of the IIS demand for the 626, Mazda's best-selling car in that market. Mazda is also negotiating with Ford, which holds almost 25 per cent of its shares. to set up a factory in Europe.

Relocation of production, both in and outside Japan, seems to imply a weakening of Mazda's ties with its traditional base in Biroshima. But company officials try to refute that. "This will always be our most important production says a company official. "We built more than 1.2m

vehicles here last year."

For a long time to come, therefore, the loudest applause for a Mazda race victory is likely to be heard in Hiroshima

HIGH TECHNOLOGY

A change of gears

1984 with its audio research headquarters. By 1988 electronics had become the fifth largest industry, displacing the chemi-cal industry, and falling into line after transportation

machinery, steel, general machinery and food. The government has since acted to speed the transition. In the midst of farmland on the outskirts of East Hiroshima City a 20-hectare tract of land has been cleared and is ready for the builders. Though Hiroshima's new science park is still empty, nearly all the plots of land have been taken. In a few years it will be a hive of

Not all the future occupants of the park fill the image of high technology companies. In 1994, for example, the National Tax Office Brewing Laboratory from the national government which tests alcoholic beverages, will move from several locations scattered around Tokyo to a single site at the Hiroshima park. The move is part of a drive to reduce the concentration of government services in Tokvo. And locat-

ing in Hiroshima makes sense

because of a large and famous local sake industry.

The big "catch" for the sci-ence park is Matsushita Electric. Matsushita, the largest consumer electronics company in the world, will set up a research facility, to be opened in 1996, to conduct research into the use of computers in home appliances. Other occupants for the park will include the Technology Research Institute for Chugoku Electric Power, the regional electricity utility, and a joint public-pri-

vate venture called Techno Plaza, aimed at providing space for small and mediumsized high tech companies.

Outside the park, Dai Nippon Printing, Japan's largest print-ing company, last year decided to build a plant in Hiroshima to produce large-scale television projection display screens. In 1990 NEC, the world's largest semiconductor manufacturer, established a facility for large scale integrated circuits.

It would be wrong to suggest that Hiroshima is about to take the lead in the Japanese electronics industry or that this has become a dominant force in the economy. In the last five years, 20 electronics and precision machinery companies have set up shop, compared with 70 metallurgical companies and 69 general machinery companies. However, a suc-



The seed of a grape is a promise that man cultivates with a passion. This passion is the reflection of an intense relationship between not just man's skill knowledge, but years of toil and nature. A great wine is the embodiment of many generations of such efforts. It is the realisation of a dream. In 1931 Jujiro Matsuda realised a dream by creating a three-wheel truck that revolutionized transport and everyday life in the whole of Japan. His passion was nurtured and cultivated by his work and the work of successive generations. And today, it lives on through a company which designs cars for the whole world. This company is Mazda.

Refresher.



On the road to civilization.

HIROSHIMA 4

Tokyo's scandals hit local stock exchange

A loss of confidence

MOST of the action in Japan's securities scandals has been in Tokyo, but regional financial institutions are concerned that their customers may have developed doubts about the fairness of the financial sys-

At the Hiroshima Stock Exchange, trading volume has been almost 40 per cent lower than last year. Local banks such as the Hiroshima-Sogo Bank, have felt the anger of their small and medium-sized corporate customers, who have not been given the favoured treatment accorded to leading industrial corporations by Japanese brokerages. Mr Koojiro Shinohara, chair-

man of the Hiroshima-Sogo Bank, says that the scandals are a "terrible thing", and that he feels uncomfortable to be "a member of the same financial world". He suggests that "forrigners must think our system

is very strange". Smaller banks are under similar financial pressures to larger Japanese banks, which have slowed asset growth as part of their attempts to meet international capital adequacy standards and have seen the value of their substantial stock holdings eroded by the fall in

the Tokyo market.

Mr Shimohara says that Hiroshima-Sogo's asset growth has been closely checked over the past year and conditions are still difficult: "We emphasise the grality of growth and not the quality of growth and not the quantity. Our clients are smaller, local companies and we are attempting to ensure our future by targeting the next generation of Hiroshima investors and educating them

about our bank's services. Cultivating customer loyalty has become a priority for local banks with the onset of Japanese interest rate deregulation. which is due to be completed in 1994, and is expected to give the large commercial banks an advantage over their smaller

Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that his institution is confident that it can compete". He hopes that financial reform will include permission for banks to enter the securities business, a proposal now under consideration by the

Japanese government. "We have 159 offices in Hiro-

shima prefecture, which the big Tokyo banks cannot match. We should be able to cope with any challenge," says Mr Hashiguchi, who is a former chalrman of Japan's Fair Trade Commission, the Tokyo-based anti-monopoly body, and is currently chairman of the Hiroshima Chamber of Commerce and Industry.

A sharp fall in land prices is

one challenge that Japanese banks would not welcome. Prices in Tokyo and Osaka, the two largest cities, have been meven, with a 20 per cent fall in condominium prices in some areas, and concerns that commercial prices will turn down. Mr Hashiguchi says that land price instability is "basically a problem for the metropolitan areas", and that the Hiroshima property market

has been helped by the antici-pated rush of development works in advance of the 1994 The Bank of Japan and the

Ministry of Finance have directed banks to limit their exposure to the property market and to be cautious in the use of stocks as collateral. Such central directives are delivered at the local level through contact, for example between Hiroshima branch officials of the central bank and executives at Hiroshima-

with the Bank of Japan, and prepares a planning report every six months and "receives guidance" from central bank officials. The securities scandal has raised questions about the use of administrative guidance in Japan, and the finance ministry has accepted that the system needs to be made more transparent.

The Bank of Japan announced in late June that it would no longer issue quarterly targets for bank lending growth, ending what is known as "window guidance". Mr Shinohara points out that window guidance has never been very strict, and that the central bank generally had confidence in the level of financial discipline of local banks Financial discipline in the

securities industry is a different question. Mr Shinohara EVERY year more people than live in Australia travel to Hiroshima prefecture for sight ties. In so doing, the visitors generate total revenues of Y185.7bn (\$1.3bn).

For an area best known for the atomic bombing of 1945 and its subsequent regeneration into one of Japan's major industrial centres, tourism in Hiroshima is perhaps a surprisingly big business. The city and prefectural government are working on plans to make it even bigger.

savs that his bank's clients

mostly smaller and medium-

sized companies, have generally not played the stock mar-

ket as means of raising

finance, as have many larger industrial companies: "Stock

speculation was part of a

period of unreal growth and

attempted to squeeze air out of that "bubble" by lifting official interest rates, which has put

pressure on highly-geared spec-

ulative companies and taken

some heat from the stock mar-

ket. Hiroshima Stock Exchange

officials have felt the differ-ence, even though their exchange is Japan's smallest by trading volume.

Apart from the main Tokyo exchange, there are seven Jap-

anese exchanges, with the smaller institutions, such as Hiroshima, offering a few local-ly-listed stocks and the oppor-

tunity to trade in certain stocks listed on the larger

exchanges. Hiroshima handles 196 stocks, of which 187 are

listed elsewhere and nine are

unique to the exchange.

Mr Hirosuke Shiji, Hiroshima's director of listings, has a deep sense of regional responsibility: "Our mission is to

contribute to the revitalisation

of the area by helping compa-nies to raise funds."

The Hiroshima exchange traces its history back to 1755

and a dealing house for rice and cotton. Later this year, the exchange is scheduled to move

into a new, Y800m building that will provide higher tech-nology links to the main exchanges and a large library for local clients.

Exchange officials are hop-

ing to encourage more local companies to list, and a recent

survey found about 70 were interested. But there are now

concerns that some of those

companies and some of the

potential investors will be

scared away by the scandals in

Tokyo. Mr Shiji says that the most

obvious effect of the scandals

in Hiroshima has been on

share trading volume: "The

number of buy and sell orders

has greatly decreased. Gener-

ally speaking, ordinary cus-tomers have lost confidence.

Robert Thomson

The Bank of Japan

created a bubble economy.

In so doing, they must strike careful balance. The memory of the atomic bomb remains a highly emotive issue and Hiroshima is determined to maintain its image as a city of peace. At the same time, government officials want to develop new attractions to draw the growing number of Japanese holidaymakers and visitors from overseas.

This balance can be difficult. We don't want to put the image of the atom bomb to tourists," says Mr Hiroshi Isaka, director of the tourism division at the city govern-ment. "It would be insensitive to survivors of the bomb." At the same time, new projects such as riverboat cruises have aroused controversy because of painful memories of the river

painted the bombing.

Nonetheless, the first nuclear explosion in anger is what continues to draw most visitors to Hiroshima. The city's Peace Park has many

EACH YEAR on August 6 thousands of Japanese and international visitors gather in Hiroshima's Peace Park to commemorate the dead. They mourn and pray for the souls of the many thousands who died following the American attack on Hiroshima with an atomic bomb on August 6, 1945. It is a moving historical com-memoration that is, nonethe-less, laden with contemporary meaning and continuing con-

It is not just the dropping of the bomb that remains controversial, but also Japan's broader role in the Pacific War. With Hiroshima hosting the Asian Games in 1994, it is more important than ever that Hiroshima, if not all of Japan, comes to terms with a past that it often prefers not to think about.

The attack on Hiroshima was the first time an atomic bomb had been used in war-fare. The second and last attack took place a few days John Ridding on the growing tourist industry

Draw of the games

monuments to the victims of the bomb. Several peace festivals during the year draw large numbers both from Japan and

Increasingly, however, visi-tors are travelling to see the scenic attractions of Hiroshima prefecture and to special events and festivals which draw them from Tokyo, Osaka and other population centres. These domestic tourists dom-

inate Hiroshima's tourist industry. Of the 18m people who visited the prefecture for tourism last year, all but 250,000 were Japanese from other areas. This type of tourist has also seen the strongest growth over the last five years.
"We Japanese are not the workaholics which you think we are," says Mr Akihiro Aoki,

a manager at the Nihon Tour-ist Company. "More and more people are travelling around the country on holiday or for leisure activities such as skiing, hiking or camping. On many of these counts, Hiroshima scores highly. It

boasts a number of ski resorts and golf courses, attractive countryside and the Seitonaikai, or Inland Sea, one of the most beautiful stretches of coastline in Japan.



In an attempt to capitalise on the trend towards health and sporting holidays Hiroshima is developing its golf courses, hiking routes and camping areas. A more curious attraction is New Zealand Village, a joint public sector-pri-vate sector project which has reconstructed a typical Antipodean village aimed at demon-strating the healthy life enjoyed down under.

But despite such efforts, the first stop for Japanese tourists continues to be the historic cities of Kyoto or Nara. "I must admit. Hiroshima is not at the top of the list." says Mr Aoki, who gives its lack of historic buildings and monuments as the main reason.

So for Hiroshima, the task is to keep coming up with events or spectacles to draw visitors to the region. In this respect

there has been a fair degree of

in 1989. The Sea And Land Exposition which promoted the attractive scenary of Japan's inland Sea, draw just under an visitors. Every year the city of Hiroshima holds a flower festi-val, to coincide with the time when most Japanese people take their annual vacation. The result has been a stock

increase in tourist numbers.

Japanese visitors, including those travelling within Himshims prefecture for tourist activities, rose from 27.9m in

1986 to 31.6m last year. A series of future crowd pull ers are also planned. By far the biggest is the 1994 Asian Games to be held in Hiro-shims. "We think that the games will really put us on the map," says an official at the

prefecture office.
The Asian Games, it is hoped, will also increase the number of foreign visitors connumber of foreign visitors con-ing to Hiroshima. A new sir-port is being built, one hour's drive east of the city. Which will be able to handle interna-tional flights. Officials from the presecture's tourist office have been visiting neighbour-ing countries promoting the

attractions of the region.
For the foreseeable future,
however, it will be domestic
travellers who will keep likeshima's tourist revenues flor-ing. And as the trend to work less and play more continues to take hold among Japanese people, so Hiroshima's tourist industry is set to expand.

PEACE PARK

Lessons of the past

The bomb that exploded high over Hiroshima at 8:15 in the morning destroyed the city almost completely by the force of the blast and the fires that raged afterwards. The blast directly caused the death of about 144,000 people by the end

The Peace Park, with the eerie atomic dome - the remaining steel structure that supported a domed building was at the centre of the attack. The annual memorial in the park is a sombre ecumenical ceremony in which participants are united by one view: that the bombing of Hiroshima was a terrible tragedy that should not be repeated. Yet beyond this, the bomb-

ing is an ambiguous symbol

and an enduring source of debate. Last month the Hiro-shima Memorial Peace Museum, located in the park. reopened with newly-reinstalled galleries. The aim of the reinstallation was to make this record of the results of the blast more vivid, especially to

young people.

The hallway into the display is a reconstruction of broken brick buildings. Inside, wax fig-ures with burnt skin and tat-tered clothing wander barefoot amid burning buildings and debris. The story of the blast is made more personal by show. made more personal by showing burnt toys, a lunch box and clothing, along with the story of the original owners who

Large video displays show

taken by the US army after the blast. Yet the displays are strangely devoid of both historical and social context.

A visitor who knew nothing else of the war would almost certainly conclude that Japan was merely an innocent victim of this terrible attack. Nowhere is there a clue that the bombing of Hiroshima, which may indeed have been indefensible and mistaken on all sorts of grounds, came after a series of aggressive and brutal attacks by Japan on nearly all its neighbours and finally on the US itself.

Koreans and others who suf-fered in the blast are men-tioned in the final panel of the exhibition, but efforts by

suffering put into the display were spurned. A memorial to the Korean victims has been consigned to the periphery of

the park.
It is the apparent unwilling ness of the Japaness to look squarely at the historical record that makes many of their neighbours nervous about a country that plays such a big economic, politically and military role regionally. For Hiroshima, the symbolism of what the bombing of the

city really means has because a more urgant issue because it will host the Asian Games in So it was a significant step when at this year's corespon to commemorate the tragedy of Hiroshima, Mayor Takashi Hir-soka for the first time apolo-gised for the suffering that

Japan inflicted on the set of Asia during the Second World War, It was, at least, a start toward mending old wounds. Steven Butler

THE SHIMA IN THE SHIP OF THE S Peace Memorial Park

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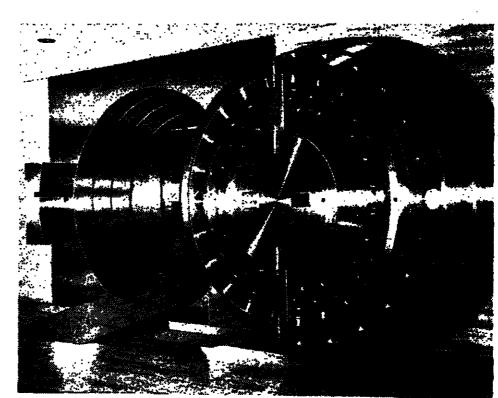
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past

ARTS

Iphigenia

DEPOT, FRANKFURT

The miracle about Goethe's play is that it is performed at all. Even in Goethe's day it was regarded as reflective poem rather than theatre and he had to look hard for producers and harder for audiences.

andiences.
A comparison between this version and the Theatre du Solell's lphigenia in Aulis – now star of the Berliner Festwochen, which I caught on tour this summer – urges the same conclusion: where Ariane Mnouchkine can inject carnival spirit and dramatic high jinks into Euribides, Goethe – into Euripides, Goethe whose source was Euripides' earlier *lohigenia* in Tauris – all but excludes

The Germans
emphemistically call this
Seclendrama, drama of the
soul, where action, conflict crisis turn inward and are expressed mostly through mustng soliloguy. Yet the work is abidingly popular in the German repertory — along with this opening, it runs in Berlin's Schiller Theater and is promised later in the ene season. Why, why,

why? Herbert Kreppel pleads a valiant case. Kreppel is a sensitive Goethe scholar who has done wonders with the scalpel, pulling five acts into under two hours and taining tedious monologue into dialogue and dramatic begraving Goethe's poetry His cast speak verse like mpsic, grand and lyrical yet emerging naturally out of character and situation.

Poetic sensuality offsets the starkness of story and setting: Bert Kistner's set is almost bare, a raised circular yellow platform with Diana's statue at one side. Costumes are shaple black and white robes; faces are blackened, heads shaved; there is no music. Weimar classicism beaten

into life it remains. Kornelia Bole is an intense Iphigenia, languishing as Diana's priestess in Tauris, passionately homesick and <u>meertain in her debt to her</u> host Those, but still primarily a cipher for Goethe's religious dilemmas. Her brother Orestes (Siemen Ruhaak), mad, driven Greek pursued by the Furies and washed up unrecognised and unrecognising in Tauris, is a philosophising 18th century Hamlet, Goethe

Only Klaus Henner Russius Those, the barbarian king whom lphigenia has 'civilised" by love and rational chat, convinces. Torn between demanding human sacrifice for political ends and setting Ore free with Iphigenia, Thoas

used to play the part

The two moments of pure drams in this production are his: trying to imprison phigmis in chains, he changes his mind and clasps her in embrace; letting her leave Tauris, he refuses to say goodbye, forcing her to break out, this time from Orestes' greep, and grab his hand to beg a last farewell. He remain: a tragic figure, alone and in trouble as brother and sister

An impressive final scene, but a long wait for it. Jackie Wulischlager

ARCHITECTURE

New lease of life for a damaged masterpiece

Colin Amery welcomes an appeal to help preserve the dual role of a Hawksmoor church

icholas Hawksmoor
(1661-1736) is an
architect whose
work has the power
to move. From the time when
Sir Christopher Wren recognised his "early skill and
genius" and took him into his
employment as his clerk amed employment as his clerk aged only 18, Hawksmoor's name has been associated with a rare architectural brilliance. Lon-don is a fortunate city by virtue of having so many of Hawksmoor's greatest works. His trio of amazing churches – Christ Church, Spitalfields, St. Anne Limehouse and St. George-in-the-East although some of the finest products of 18th century art, are still somehow lost and neglected in the wastelands of London's East End. in almost any other European city they would be recognised and cherished as masterpieces - the equal of anything in Rome. Last week an appeal was

launched to help one of these churches, St. George-in-the-East, to help make it a viable centre for its parish and to transform its crypt and court-yard into a working home for the Guildhall Ensemble. The Ensemble is the postgraduate arm of the Performance and Skills Department of the Guild-hall School of Music and Drama and for the last two years it has been based in the crypt of St. George's, where it carries out an unusual develop

ment programme bring music and performance training to all sections of the community. The dual use of St George's comes about because the

church was badly bombed in the second world war and the Hawksmoor interior was not restored. Instead, inside the massive and marvellous walls, a small modern church was erected to the designs of the architect Arthur Bailey, and flats were squeezed into parts of the february.

of the fabric.
Today, St. George's stands opposite the refurbished Tobacco Dock. It is still a magnificent sight, soaring like a great stone galleon above the strange mixture of welfare housing and commercial opportunism that now characterises London's Docklands. It looks intact from the street and it is a horrible shock to discover that Anglican pragmatism of the 1960s could not rise to contemplate a complete restora-tion of one of the undoubted masterpieces of the English The latest plans, announced

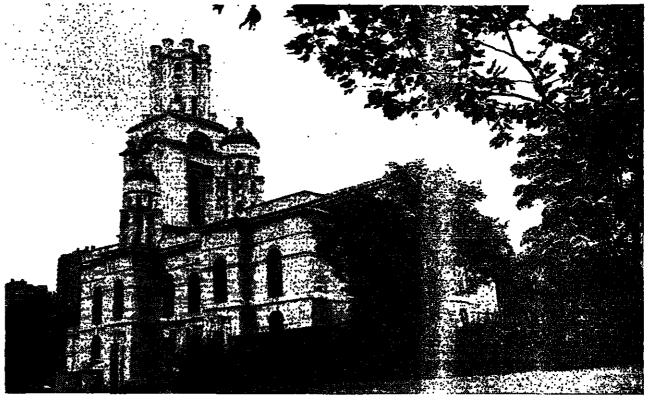
last week, do not propose any further restoration. Instead the scheme, carefully prepared by architects Stanton and Wil-liams, leaves the 1960s church more or less as it is and proposes a new glazed atrium on the site of the present internal courtyard which will allow light to penetrate the crypt.

It is a rational and intelli-

gent way of utilising a damaged building to its fullest potential. Public rooms and galleries will be added at four levels and the 1960s church will feel level? will feel less like a temporary addition sitting at the feet of a powerful ruin. The Guildhall Ensemble will also gain a good range of rehearsal and performance facilities.

Does Hawksmoor benefit too? The new proposals respect his geometry more than the older ones did. The staggering sight of Hawksmoor's tower forcing its way through the split pediment will still be there on the west front. It will, in fact, be enhanced by the res-toration of Hawksmoor's own design for the steps. The appeal is a sensible one to support because it keeps a great ruin in active use and the

musical activities clearly have a great social value. The failure to restore the church as an architectural monument of European significance goes back to the immediate post war years. It remains a tragedy that the will to maintain and guard the work of one of the great English architectural geniuses has consistently been so weak. Architects and art bureaucrats endlessly sing the praises of Hawksmoor, but that is not enough. Poor old Christ Church, Spitalfields has not been much helped by the endless music that has been performed there - its restoration



The church of St George-in-the-East: Hawksmoor outside, home for the Guildhall Ensemble inside

should have received all the wealth of the City. The tragedy is that these masterpieces are in the East End of London – an area that has still not really benefitted from the unplanned development of Docklands nor from the profits of the ludicrous giantism of Canary

the Royal Institute of British Architects Heinz Gallery, (21, Portman Square, London W1) there is a highly intelligent and enjoyable exhibition entitled Architectural Drawings of the Regency Period. It is organised by Giles Worsley,

the architectural editor of Country Life who has also written good a book to go with the exhibition (published by Andre Deutsch, £25 hardback, £14.99 paperback) which is a welcome first volume in a perior devoted first volume in a series devoted to the thematic exploration of the riches of the RIBA Draw-ings Collection.

I enjoyed the exhibition for two reasons. First, because it is agreeably didactic, explaining the developing role of the drawing as a tool that both helped the builder but also consolidated the position of the architect as the leader of the design team. Second, it deals

with a period of English architecture that is humane and pleasing to the eye and includes the work of Soane, Wilkins, Rickman, Playfair, Cockerell, Wyattville, Bonomi, Papworth and Nash,

The arrangement of the book types allows for the inclusion of large scale public buildings of the years of peace after the Napoleonic wars, and elegant domestic work that evokes a settled and modestly elegant private world. The develop-ment of the fine architectural perspective in this period pro-vides examples of the work of

Josph Candy (a remarkable scheme for a proposed "imperial palace for sovereigns of the British empire") and a very distinguished interior by Bonomi. The inclusion of the work of lesser known architects helps to give a coherent view of a developing profession. It is particularly interesting to see the work of a man like Michael Searles, who is not well known but was in his way a pioneer of the elegant speculative development of Regency south London. A quiet afternoon in the Heinz Gallery at this exhibi-tion is both a restorative and



In the current climate retrenchment at the Coliseum, the return of such a tried and tested box-office favourite as The Mikado comes as no surprise, writes Andrew

The English National Opera has scheduled some 20 performances

The 20th season of the Arts Council's Contemporary Music Net-work kicks off next month with the

Mike Gibbs Band featuring guitarist

John Scofield among its fourteen

The tour starts at the Queen Elizabeth Hall on London's South Bank

(October 9) before taking in 11 pro-

Later in the month, Ferguson Jazz

starts its autumn programme with

the first British performance of

pieces, writes Garry Booth.

well into November with special low-er-priced tickets and a sprinkling of Saturday matinées. James Holmes conducts this time, and David Ritch has again revived Jonathan Miller's

1920s staging.
The cast is full of tried and tested veterans of the production - Rich-

Charles Mingus' *Epitaph* at London's Barbican (October 21). The two-hour

long score was discovered after the

musician's death and prepared for performance by Gunther Schuller,

who will conduct a 31-piece Ameri-

The 1991 Guinness Cork Jazz Fes-

tival is slated for the end of the month (October 25-28).

More than 100 gigs will take place in over 50 halls, hotels and pubs

can orchestra for the London perfor-

October jazz in the UK- and Ireland

ard Suart's Ko-Ko (pictured above), Anne Collins's Katisha, Ian Caddy's Pooh-Bah and Bonaventura Bottone's Nanki-Poo. Only those with the most intense

allergy to Gilbert and Sullivan need

with the organisers expecting 40,000

Headline details have yet to be

finalised but Gerry Mulligan, John Surman and Red Mitchell, among

Ronnie Scott, who will also be at Cork, opens his new Birmingham

club that same weekend (October 28)

with Rolling Stones drummer Char-

lie Watts leading a jazz quartet

which features Pete King on

others, have been confirmed.

Berlioz's last "opera" Béatrice et Claudio!" and all). It didn't quite Benedict might have been the

'Béatrice et Bénédict'

BIENNALE DE LA MUSIQUE FRANÇAISE, LYON

showpiece of Lyon's "Biennale de la musique française". He was a local boy, after all, and if his B&B. is a tad eccentric, some of its numbers are gems of the first water. Though many British music-lovers have known that for some time, thanks to Colin Davis (on records), the Buxton Festival and the ENO, revivals in

France have been scanty.

While Lyon had its annual Berlioz
Festivals – which ended when they
ran out of Berlioz – it did stage B&B, ten years ago; but the slender first-night audience for this new version suggested that the earlier one had made no great mark.

The trouble with B&B is that it's

not quite an opera, nor anything else exactly. The Shakespeare besotted composer merely set his favourite hits of Much Ado about Nothing to music (rather as he'd done more grandly with Romeo and Juliet) - and omitted the basic plot. What he first envisaged was a light, bubbling one-acter, for which the prickly banter of Béatrice and Bénédick and their mutual capitulation would suffice as a story, with the (boringly unclouded) betrothal of Hero and Claudio as background, and a new "comic" figure - the music-master Somarone, a dire addition - as a

are jovial choruses and stage-music, but the best of the few numbers allotted to the principals are seriously operatic, searching and long. Eventually, therefore, B&B had to stretch to two acts unfortunately without any sustaining plot. British solutions have restored more of the well-loved banter, to give life to the central pair; for Lyon the producer Pierre Barrat, more ambitious, aimed to reinstate the gist of Shakespeare's action (with Béatrice's "Kill

Most of the 15 musical numbers

At well over three hours it took at least as long as the spoken play, reduced here to snippets (faithfully translated, but they raised scarcely a laugh anywhere). Too little to Nesh out the jesting lovers; and far too little to make the "dark" side of the piece - the Claudio-Héro-Borachio imbroglio - theatrically effective. For that Berlioz wrote no music, and the gaps between the operatic items began to vawn. Laurent Peduzzi's expansive,

clean-lined setting was seductive: the whole end of a palazzo at one side, a lush wooded garden at the other, and between them a glowing, indeterminate vista of Mediterranean blue. Claude Béringuler engineered a magical twilight whilst Héro and Ursule (Danielle Borst and Catherine Robbin) sang their haunting Nocturne-Duo, at the close of

Earlier, however, Miss Borst had inst about got away with her heroically taxing air, and Tibère Raffalli's Bénédick, a bumptious gay blade, had sacrificed Berlioz's elegant line to a few stinging top-notes. Later, Helène Perraguin's sprightly Beatrice lacked the dramatic grip for her great scena of self-discovery. (We who have heard Anne Murray have been spoiled.) Despite his sharp ear for Berliozian essentials, the conductor John Nelson fixed no clear shape for it. nor for the taut, teasing women's trio that follows.

Gabriel Bacquier's ripe, rank Somerone was allowed to go over the top, to no purpose. In the final Scherzo duettino – a twinkling reprise of the familiar Overture, but with the voices of Beatrice and Bénédick now supplying wry phrases that should seem to have been implicit in the music all along

- he let the singers gasp their lines for all its civilised charms this well-intentioned B&B failed to crack the crucial nuts.

Elsewhere in the Biennale, there were still splendid rediscoveries. If d'Indy's Second Quartet sounded grimly academic (using the motto of Mozart's "Jupiter"-Schluss-Fuge to generate everything, but without the expressive range to vary the effect), his op. 89 Triple Concerto – piano, flute, cello - gleamed with polished Saint-Saëns came off very well:

with the Ensemble Orchestral de Paris under Theodor Guschlbauer his Second Symphony sounded crisply, neo-classically cogent, and the late Fantaisie for violin and harp (Gerard Poulet and Isabelle Moretti, both excellent) found him trying out bold modernisms. The American trumpeter Steven Burns was exciting in André Jolivet's splashy 1948 Concertino

The organist-composer Louis Vierne's 1917 Piano Quintet left the deepest impression. Some months ago I reviewed a recording of it rather coolly, but at Lyon we had an impassioned, revelatory performance by Gerhard Oppitz and the distinguished Quatuor Prat (we need to hear them in London, though not billed as the "Prat Quartet").

When Vierne wrote it he had just lost his brother and his 17-year-old son in the Great War; he was himself going blind, and had come close to suicide. With quotations from Siegfried's Funeral March and Tristan, the Quintet is a searing elegy with agonised, end-of-tether The Prat team seemed to fathom it

completely, and it made a heart-wrenching experience.

David Murray

INTERNATIONAL TODAY'S EVENTS

AMSTERDAM Concertgebouw 20 15 Trio Tchalkovsky plays plano trios by Mozart, Rakhmaninov and Dvorak. Tomorrow Cho-Liang Lin plays Violin sonates. Wed, Thurs, Fri: Riccardo Chailly conducts Beethoven and Mahior. Sat tinee: concert performance of Hindemith's Mathis der Maler. Sat. Sun and next Mon: Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra (6718 345)

BARCELONA

Gran Teatre del Liceu 21.00 Margaret Price sings arias byMozart and Verdi in a concert by the Licau Orchestra conducted by Uwe Mund (412 1466)

BERLIN MUSIC AND DANCE Staatsoper unter den Linden 19.00 Heinz Fricke conducts Der Freischulz, with Maydalena lajossyova as Agathe and Reiner Goldberg as Max Tomorrow: Le nozze di Figaro. Wed: Il trovatore. Thurs: Horst Stein conducts the

Berlin Staatskapelle, Fri: Swan Lake. Sat: Les Contes d'Hoffmann. Sun: Pélleas et Mélisande (East Berlin 2004 762) Deutsche Oper 19.00 Heinrich

Hollreiser conducts Gunter Kramer's new production of Die Zauberflote, with a cast including Peter Seiffert, Cornelius Hauptmann and Eva Johansson, also Wed and Sat. Tomorrow: Tosca. Thurs and Sun: La boheme. Fri: ballets by Neumeier, MacMillan and Van Manen (West Berlin 3410 Schauspielhaus 20.00 Jörg-Peter Weigle conducts the Dresden

Philharmonic Orchestra in a programme of overtures and arias from operas by Wagner, Verdi. Mozart, Strauss and Lortzing, with Karl Ridderbusch and other soloists. Tomorrow: London Mozart Players. Wed: sacred choral music by Beethoven and Bruckner, Thurs: Michael Schonwandt conducts the Berlin Symphony Orchestra. Fri: Arnold Ostman conducts the Berlin Radio Symphony Orchestra. Sun: Gunter Wand conducts Bruckner's Fifth Symphony (East Berlin 2272

THEATRE East Berlin: the Deutsches Theater unveils a new production of Shakespeare's Henry VI at the Kammerspiele on Thurs, for which the trilogy has been condensed to single-evening length by Katja Paryla and Henrik Bien. Paryla directs the production, with Udo Kroschwald in the title role and Karl Kranzkowski as Gloucester (2871 226). On Fri and Sat, the Berliner Ensemble hosts a show starring the popular Berlin boulevard actress Gisela May (2827 712). The repertory at the Maxim Gorki Theater includes George

Tabori's Mein Kampf (tomorrow). Peter Shaffer's Amadeus (Wed), Caryl Churchill's Top Girls (at the Studiobuhne on Wed) and T.S. Eliot's The Cocktail Party on Sun (2082 748). The Volksbuhne is showing Schiller's Die Rauber on Thurs and Shakespeare's The Comedy of Errors on Fri (2082 748). West Berlin: the Schaubühne tonight unveils a new production of Arthur Schnitzler's The Lonely Road (1904), directed by Andrea Breth, also Fri. Kleist's Amphitryon can be seen on Thurs, Sat and Sun (890023). The Schiller Theater has Lessing's Minna von Barnhelm on Fri and Goethe's Iphigenie auf Tauris on Sat (3195 236). The Renaissance Theater has Peter Shaffer's Amadeus directed by Gerhard Klingenberg, daily till Oct 29 (3124 202)

■ CHICAGO

Lyric Opera 19.30 Bruno Bartoletti conducts Robert Carsen's production of Melistofele, with Samuel Ramey in the title role Bruno Beccaria as Faust and Aprile Millo as Margherita, repeated on Fri. Tomorrow and Sat: Samuel Barber's Antony and Cleopatra

■ LONDON Covent Garden 17.00 Bernard Haitink conducts Gotz Friedrich's production of Siegfried, with Rene Kollo in the title role, James Morris as the Wanderer, Ekkehard Wlaschiha as Alberich and Gwyneth Jones as Brunnhilds Tomorrow: Rigoletto, Sat: Das Rheingold. The Royal Opera's second Ring cycle takes place on Oct 10, 11, 14 and 17 (071-240 1056)

Coliseum 19.30 James Holmes conducts Jonathan Miller's production of The Mikado, also Wed and Sat_Tomorrow and Fri: La boheme. Thurs: Billy Budd (071-836 3161) Royal Festival Hall 19.30 Esa-Pekka Salonen conducts the Philharmonia Orchestra in Debussy's Gigues (from Images), Stravinsky's Firebird and Shostakovich's Second Cello Concerto, with Heinrich Schiff, Wed: Salonen conducts Iberia and The Rite of Spring. Thurs: Tennstedt conduct Beethoven. Fri: Owain Arwel Hughes conducts Elgar and Sibelius, Sat Bournemouth Symphony Orchestra. Sun: Giulini conducts the Philharmonia (071-928

conducts the English Chamber Orchestra and Goldsmiths Choral Union in Beethoven's Missa Solemnis. Tomorrow: Richard Stilgoe and Peter Skellern take part in a gala concert in aid of cancer relief. Wed: Jeffrey Tate conducts Mozart. Thurs: Jesus Christ Superstar (071-638 8891)

Rarbican 19.45 Brian Wright

■ MUNICH

MUSIC AND DANCE Staatsoper 19.00 Peter Wright's production of Sleeping Beauty. Tomorrow and Fri: Barseg Tumanyan sings the title role in Johannes Schaaf's production of Boris Godunov, Wed: Nabucco with Julia Varady as Abigaille. Thurs and Sat: L'Italiana in Algeri with Agnes Baltsa and Simone Alaimo (221316) Philharmonie 20.00 Sergiu

Celibidache conducts the Munich Philharmonic Orchestra in Milhaud's Suite française

Debussy's La Mer and Franck's Symphony in D minor (48098 614). Over the next three weeks. Celibidache takes the MPO on tour to Rouen (Oct 2, 4, 6), Madrid (Oct 8, 9, 11, 12), Paris (Oct 15, 16), Kiev (Oct 18, 19) and Budapest (Oct 21) THEATRE

Kammerspiele 19.30 Botho Strauss Schlusschor directed by Dieter Dorn. This week's repertory also includes Moliere's Don Jua tomorrow and Goethe's Stella on Fri (23721 328) ater 19.30

Shakespeare's Coriolanus directed by Steve Berkoff. Tomorrow: Wedekind's The Marquis of Keith. Wed: Schiller's Die Räuber (225754)

■ NEW YORK Carnegle Hall 20.00 Michael Gielen

conducts the Junge Deutsche Philharmonie in B.A. Zimmermann's Symphony in one movement, Schubert's Ninth Symphony and Brahms' Double Concerto, with Yo Yo Ma and Christian Tetzlaff (247 7800) Metropolitan Opera 20.00 James Levine conducts Die Zauberflote with a cast led by Dawn Upshaw, Ruth Welting, Jerry Hadley, Mikail Melbye and Kurt Moll, repeated on Fri. Tomorrow: Un ballo in maschera. Wed and Sat: Idomen Thurs: Don Giovanni (362 6000)

■ PARIS

Opera Bastille 19.30 Jonathan Darlington conducts Le nozze di Figaro, with a cast including Jorma Hynninen, Francoise Pollet and Maria Bayo. Final performance on Wed. Thurs and Sat: Myung-Whun Chung conducts Jean-Pierre Miquel's new

production of Idomeneo (4001 1616) Chatelet 19.30 Jeffrey Tale conducts Adolf Dresen's production of Lulu, with a cast led by Patricia Wise, Brigitte Fassbaender, Hans Hotter and Wolfgang Schone, Runs till Oct 12, with next performances on Fri and Sun, Thurs: Wynton Marsalis and his jazz band. Sat: William Christie conducts Les Arts Florissants in Campra's Idoménee (4028 2840)

■ VIENNA Music Staatsoper 19.00 Peter Schneider

a cast led by Lucia Popp, Barbara Bonney, Wolfgang Brendel and Anton Scharinger. Tomorrow and Thurs: La Sylphide. Wed: La traviata. Frl: Die Zauberflote. Sat: Tarkovsky production of Boris Godunov (51444 2960) Musikverein 19.30 Piano recital by Shura Cherkassky. Tomorrow: Philippe Entremont and the Vienna Chamber Orchestra, Wed: Friedrich Gulda. Thurs, Fri, Sat and Sun: Rafael Frübeck de Burgos conducts the Vienna Symphony Orchestra (505 8190)

conducts Le nozze di Figaro, with

THEATRE This week's repertory at the Burgtheater includes Claus Peymann's production of Goethe's Clavigo (tonight, tomorrow and Wed), Kleist's Penthesilea directed by Ruth Berghaus (Fri) and Jürgen Filmm's production of Der Schwierige by Hugo von Hofmannsthal (Sun). The Akademietheater repertory includes Brecht's The Good Person of Sezchuan on Fri and Othello

on Sun (51444 2218)

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CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 Yorld Business Today
– a Joint FT/CNN production with
a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

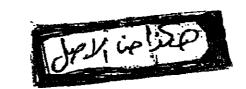
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2130-2200 (Tues) East Europe
Report – weekly linancial report
from FTTV
2130-2200 (Wed) FT Business
Weekly - the latest round-up of
business news with James Bellini
and Debbie Middleton.
2130-2200 (Thurs) Talking Heads Sky Nees 1200 - International Busine

Report 1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly SATURDAY

CNN 073D-0800 Moneyline 0900-0930 World Business This Week - a joint FT/CNN production 1540-1610 Moneyweek 1900-1930 World Business This Woek 2110-2140 Your Money

SUNDAY S*uperchannel* 1600-1830 FT Business Weekly Sky News 1330, 1630, 2030, 0030, 0230 FT

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Monday September 30 1991

Bush's bold arms plan

the most far-reaching contribu-tions to reducing the risk of nuclear war since the begin-ning of US-Soviet arms control otiations. But there is a negotiations. But there is a risk that its shock effect — few people expected another big nuclear arms control push so soon after the signature of the Strategic Arms Reduction Treaty last July – will lead people to draw the wrong con-clusions. While it is certainly aimed at further sharp cuts in nuclear arsenals, it will not rid the world of all nuclear weap-

Indeed, its merits are that it avoids the leap in the dark which former US President Ronald Reagan offered to make at his notorious Reykjavik summit in 1986 with Mr Mik-hail Gorbachev, when he pro-posed the complete abolition of nuclear weapons. At that time, he was restrained by Washington's European Nato partners not least Mrs Margaret Thatcher - from taking a step which would have left Europe dangerously exposed to a

Soviet conventional attack. Since then, the international political and military environment has changed radically. Last year's treaty cutting conventional forces in Europe, Moscow's withdrawal from eastern Europe and the pro-gressive disintegration of the Soviet Union, have virtually eliminated the danger of a conventional Soviet attack in Europe. Yet the chaos and insecurity that the political upheavals in the Soviet Union and Yugoslavia have brought in their wake, coupled with the outbreak of unpredictable regional crises such as the Gulf conflict, have alerted the US and its western allies to the need to maintain credible, if reduced defences. It is the nuclear deterrent, after all. which has prevented serious conflicts in Europe over the past 45 years.

Superb timing

The timing of Mr Bush's ini-tiative and the political judge-ment on which it is based could not have been better. As he said in his speech on Friday, there was now an unparalleled opportunity to change what he called "the nuclear posture" of both the US and the Soviet Union. The Start treaty provides for a reduction of no more than 25 to 30 per cent of both countries' strategic arsenals. Yet the Soviet Union's economic reform plans require the conversion of its overblown and costly military industry into factories produc-

THE US president's latest nuclear arms initiative has rightly been hailed as one of Mr Bush also had to take into account the nuclear security problem caused by the imminent break-up of the Soviet Union into independent republics. Mutual nuclear deterrence has to be based on confident predictions of the other side's behaviour in a crisis. But in the absence of centralised control of nuclear weapons — Belorussia and Kazakhstan have already shown themselves extremely reluctant to transfer their missiles to Russia - such predic-tions become extremely uncertain and hazardous. Better, therefore, to strike while the iron is hot and there is still a good chance of negotiating a nuclear arms agreement with the central Soviet government under Mr Mikhail Gorbachev.

US sweeteners

The sweeteners to such an agreement offered by Mr Bush are substantial. Though the withdrawal of tactical nuclear weapons from Europe and other locations has been foreseen for a long time in Nato strategy, the decision to eliminate all nuclear cruise missiles from US warships is a real con-cession to the Soviet Union. During the Gulf war, Moscow had expressed deep concern that warships carrying these missiles, which are very difficult to detect, had come within range of Soviet territory.

Yet a much more difficult prospect is the abolition by both sides of all land-based intercontinental ballistic missiles with multiple warheads, as proposed by Mr Bush. Since this proposal is not matched by an offer to scrap submarine-launched ballistic missiles, an area in which the US has a clear lead over the Soviet Union, an agreement might prove difficult to reach. Founded though its position

is on a determination to retain a credible nuclear deterrent it seems likely that the US will, in the end, have to envisage some reductions in sealaunched strategic missiles in the interests of reaching an overall deal with the Soviet Union. In that case, Britain and France will no longer be able to argue, as they still do today, that the large nuclear arsenals of the superpowers instify their own "minimum

Mr Bush's far-reaching pro-posals also imply that London and Paris are fast approaching the moment when they have to review their own nuclear defence policies and participate in the nuclear arms control

Protecting the small investor

EARLIER this month the Securities and Investments Board (SIB) said in a discussion paper on the regulation of retail investment products in the UK that it wanted inves-tors to be able to "take full advantage of the dynamic and innovative UK market place for financial services".

Just three weeks later National Westminster Bank announced that it has given up the struggle to be the last big high street provider of inde-pendent financial advice. Its customers will routinely be sold only own brand investment products. Abbey National, too, has decided to sell its own life products rather than those of an independent company, Friends Provident. The pattern is established right across the retail banking

industry.

The alarming fact is that the innovative and competitive independent life insurance companies are being largely replaced by in-house product "manufacturers" geared to deliver standardised contracts of probably indifferent perfor-

mance.
Historically, the unique character of Britain's investment industry derived from the existence of a dominant distribution network of independent brokers, which encouraged the development of independent life and investment communics. ment companies.

Under attack

But the system has been under attack from two directions: direct-selling companies such as Abbey Life and Allied Dunbar; and the hig banks and building societies. When the legislation for the protection of investors. investors was reformed through the Financial Services Act 1986, it was vital that the high street banking sector should be retained as a distribution channel for the indepen-dent life and unit trust companies. Unfortunately, the authorities succumbed to pres-

kers and some of the life com panies to adopt so-called "polarisation", which meant that any intermediary had to choose between independent status or be restricted to the products of just one company.

Special relationships

Intermediaries feared that if special relationships with just a few companies were permit-ted the conflicts of interest could only be resolved through full disclosure of commissions which they know would lose them a lot of business. Second, they reasoned that polarisation would cripple the power of the banks to establish financial

supermarkets
The hope that some big retail chains would retain independent status has now proved an illusion. The next stage must be a structural crisis among the independent life companies, which can now only sell to people able to afford independent financial advisers.

There are parallels with the

There are paramets with the stock market "Big Bang" of 1986 which rebounded against small investors and placed large financial institutions under great pressures. The Financial Services Act, which came fully into effect in 1988, has not been directed suffi-ciently towards protecting investors.

The unique character of the

UK's long-term investment industry is being squandered. As a first step, the polarisation rules should be relaxed, to allow the banks' independent advisory offshoots, which they still retain on a restricted basis, much better access to the branches. The SIB could

propose this as part of its cur-rent review of polarisation.

Second, there is a case for considering closer political oversight of SIB and its subsidiary self-regulatory organisa-tions, and whether vested interests are over-represented among the watchdogs.

resident George Bush has seized the moment. His wide-ranging proposal for reducweapons is the first significant response from the west to the new Russian revolution; as usual, the tim-

Russian revolution; as usual, the timing was finely judged.

In one stroke, Mr Bush has disarmed those critics at home and abroad who were starting to complain that his reaction to the collapse of Soviet communism was timid and unimaginative. Now, with some justification, he can claim to have set in motion the most sweeting changes in motion the most sweeping changes in

US defence strategy in 40 years.

Mr Bush's proposals – unveiled in a nationwide address on Friday night – come just as the Soviet president. Mr Mikhail Gorbachev, and his Russian counterpart, Mr Boris Yeltsin are engaged in high-stakes talks to save the union. The US arms control plan is aimed at strengthening their hand in negotiations with the 15 republics; the hillion-dollar question is whether Mr Bush, having offered to is whether ar biss, having others in the burden of the nuclear arms race, is prepared to tackle the even trickier issue of economic aid. Under the president's plan, the US

will withdraw all short-range nuc weapons from Europe; remove all tac-tical nuclear weapons from all US submarines and warships; end a 24-year alert status for all US strategic bombers; and accelerate the 30 per cent cuts agreed under the Start treaty recently signed with the Soviet Union on long-range missiles.

There is, however, a little less to Mr

Bush's offer than meets the eye. Some of his proposals can be reversed, if the Soviets fail to respond. His call even-tually to eliminate all land-based multiple warhead missiles singles out for destruction the most destabilising nuclear weapons on the Soviet side. US superiority in submarine-based systems remains intact.
Indeed, Mr Bush has no intention of

abandoning America's air-, sea-, and land-based nuclear triad; he is sticking to plans in place before the abortive Soviet coup, to draw down US armed forces by 25 per cent; and he is loath to cancel any important non-nuseems, can only be stretched so far.

The greatest impact of Mr Bush's

proposals will be psychological. His offer to remove sea-launched cruise missiles, where the US enjoys a long-standing technological edge, suggests that he has finally ditched postwar American fears about "missile gaps" and Soviet nuclear superiority. The Soviet threat has diminished; now, in Mr Bush's words on Friday night, the US stands ready to "help". Just how far is the president pre-pared to go to assist in the political

and economic transformation of America's old adversary? The answer, says one senior US official, will depend a great deal on events in Moscow, primarily whether the new Soviet leadership and the republics can agree on power-sharing arrange-ments and a new economic treaty. At this early stage, powerful voices are urging Mr Bush to be bold. The most prominent is Mr James Baker, US Sec-

Mr Baker visited Moscow this month, holding talks with top Soviet officials and leaders of the Baltic states. He even flew to Kazakhstan to meet the republican leader Mr Nursaltan Nazarbayev. Mr Baker's message to Washington was unequivocal: the failed August coup wiped out hard-core, high-level opposition to reform. "We are dealing with a very different country," says one senior administration official.

Thus, Mr Vadim Bakatin, the head of the KGB, asked Mr Baker whether the CIA could offer lessons on how to manage a spy service in a democracy. General Yevgeny Shapasimikov, the Soviet defence minister, inquired about the US military justice system, offering the breathtaking admission that it was vital to restore the public's trust in the Red Army as an impartial

■ Obituaries of Roy Fuller, the distinguished British poet

who died on Friday, rightly concentrated on his sharp eye, his quiet wit and his

intellectual authority. But he

was also a special hero for those who toll in the prosaic

finance. For nearly 50 years,

he climbed steadily up the

promotion ladder at the Woolwich Building Society,

and was still the society's full-time solicitor when elected

to the Oxford professorship

poetry, novels and criticism, his publications included

"Questions and Answers in Building Society Law and

society movement (*never*

His views on the bullding

industry) seem especially relevant in today's harsh climate. "The safety of the investors' cash (and its bearing

sufficient interest to retain

them) was obviously paramount," he wrote. "But

borrowers were treated with as much leniency as was

cases of disaster usually with

generosity." Not surprisingly, he regretted the Building Societies Act of 1986. "As with

dress, manners - the enviable friendly society status,

so many things in one's lifetime - bread, schooling,

invention by British genius of a fair institution for

were not what you might expect of a building society official. But he did move to

the right in later years, and

precision. "I'm overfond of Uncle Joe," he once wrote, but

rhythm and metre were more important to him than political

later confessed that the choice of verb had really been determined by the metre. "Too

lenient to Uncle Joe" would

spreading home ownership, was laid open for destruction.' His politics, like his poetry.

consonant with sensible management; in individual

of Poetry in 1968. Along with volumes of

world of commerce and

President Bush's arms control proposals do not obscure a tough decision over direct aid to the Soviet Union, writes Lionel Barber

Hand of friendship for an old foe



Bush's initiative is aimed at helping Yeltsin, left, and Gorbachev, centre, in their talks with the republics

and volunteer fighting force. Later, General Shapashnikov asked about US base rights agreements with its allies. The most likely explanation, says one senior US official, is that the lership wants to create a new legal basis for stationing troops in the Soviet republics.

Such talk convinced Mr Baker that the revolution presents the US and the west with an historic opportunity to redefine their wary posture towards the Soviet Union President Gorbachev further helped his cause by pledging to end the Soviet military presence in Cuba and to cut off arms supplies to Afghanistan. He also showed willingness to resolve the Kurile Islands territorial dispute with Japan; senior US officials are engaged in trying to broker a compromise between Moscow and Tokyo so that Japan regains the islands.

These Soviet concessions may have been an act of desperation, but they served one important purpose: the removal of the political obstacles which President Bush has most frequently cited in opposing direct US financial assistance. A new mood has developed within the administration. "The consensus," says a senior west-ern official, "is that the prospects for reform are much better than before." Yet this optimism has to be set against the titanic task ahead. In their recent trip to Moscow, Mr Alan Greenspan, chairman of the Federal Reserve, and Mr Nicholas Brady, US Treasury Secretary, heard confirma-tion that the Soviet authorities are fast running out of hard currency,

creating severe liquidity problems and a dangerous squeeze on muchneeded imports.

The unspoken fear is that even if

Moscow does not declare a moratorium on its \$62bn foreign debt, it may require a western bridging loan of at est \$1bn within the next few weeks to meet its obligations. The immediate US imperative is to

avoid chaos this winter. An international relief campaign, which may rival Herbert Hoover's successful effort to prevent famine in the Soviet

Soviet concessions removed the political obstacles President Bush has cited in opposing direct US financial aid

Union in the early 1920s, is under way. Working with its partners in the Group of Seven industrialised nations, the US wants an assessment of Soviet within the next few days.

On macroeconomic reform, the US is still moving gingerly. Senior offiareas such as food distribution, energy and the conversion of defence plants to civilian use — all of which ought to provide the hard currency needed to ease the Soviet payments crisis. Equally pressing is the need for contract and property laws; the US view remains that foreign investment, through the private sector, is the most efficient vehicle for the transition to a market economy.

Yet the administration is slowly

coming to realise that if the great gamble of Soviet economic reform is undertaken, then direct US financial aid is a must. The US contribution would of course, be part of a collec-tive western effort, but this still raises the problem of selling the idea to a US Congress which wants American dollars spent on domestic needs such as education and health care. With the federal budget deficit likely to grow to more than \$350bm next year, an elec-tion year, Mr Bush will have to muster every pound of political capital to defend direct financial aid to the

into billions of dollars. into billions of dollars.

These political pressures explain why the US is prepared to drop its long-standing opposition to the Soviet.

Union — or whatever confederation follows — becoming a full member of the International Monetary Fund and World Bank. The prospective shift in US policy is critical, since it would allow the Soviet authorities to borrow directly from a neutral international financial institution with far greater resources than the US.

Soviet Union which is certain to run

Some dissenting voices still need to be persuaded. The US Treasury is worried that Soviet membership could jeopardise efforts to secure congressional approval for a 50 per cent increase in the IMF's resources, the so-called quota increase. Also, lack of adequate data on Soviet gold and foreign currency reserves could compilcate admission, as well as the Treasury's reluctance to upset the redistribution of IMF membership quotas

sury's reluctance to uses, the bution of IMF membership quotas agreed, with great difficulty, only a year ago.

These are minor technical issues set against the huge potential gains at stake in a demilitarised Soviet Union which becomes a full member of the international community of nations. But substantial questions remain over western support for a reform package, how it is arranged and the conditions under which it might become available. This is likely to be a central issue of debate — but not decision—at the annual meeting of the IMF and World Bank in Bangkok next month.

In the meantime, the administration is pulling out all the stops for the dual leadership of Presidents Gorbachev and Yeltsin, "the new force for stability". Indeed, Mr Bush's nuclear arms proposals may well have served

arms proposals may well have served as a valuable bargaining chip for the two in their campaign to preserve some central control in their negotia-

some central control in their negotiations with the breakaway republics.

The administration views with
alarm the possibility of a total
break-up of the Soviet Union and is
looking for evidence of a strengthened
central leadership. When President
Gorbachev last week persuaded Mr
Eduard Shevardnadze, the former foreign minister, and several other leading reformers to join his advisory
council, a sigh of relief echoed across
the Polomac.

During his trip to Moscow, Mr Baker heard bleak warnings about the risks of disintegration of central authority. Among others, Mr Shevardnadze expressed grave concern about the repercussions of total indepen-dence for the Ukraine which could

provoke a chain reaction.

The scenario is that first, the Russian minority would rise up; Kharkov, the Crimea, Odessa and the Donetsk coal basin would follow; that in turn could provoke the 40 per cent Russian population in Kazakhstan to seek to join Russia. The risk would be a Yugoslav-style civil war, or worse, Mr Baker was told.

Such nightmares were current even before August's failed coup and per-suaded Mr Bush to deliver what has come to be known as the "Chicken Riev" speech in July. Addressing the Ukrainian parliament, Mr Bush warned against "suicidal nationalism" and came out strongly in favour of a Soviet Union which retained central control, albeit within a democratic ederal framework.

Critics seized on the speech, not unreasonably, as a thinly disguised effort to bolster President Gorbachev at the expense of the republics. Senior US officials say this misses the point: the totalitarian centre has been smashed, and the republics have seized power. The challenge is how to reconstitute some central authority in the interests of stability and economic

There is little doubt that the Ukraine is central to US thinking. Mr Leonid Kravchuk, the Ukrainian leader, visited the White House last week and was given the full photo-opportunity treatment. A more interesting session occurred later, when Mr Kraychuk was invited to attend a one-hour meeting with Mr Ed Hewett, a senior specialist in the Soviet economy on the National Security Council staff. By one account, Mr Hewett gently informed Mr Kravchuk of the advantages - and disadvantages - of full-scale secession from the union This candour is a visible part of the

has taken a further step towards ending the Soviet image in the US of being Public Enemy Number One through his arms control proposals. The next challenge is whether such candour permits the US and its allies to state flatly that there can be no multi-billion-dollar rescue plan for the Soviet economy unless the key con-stituent parts, including the Ukraine, remain together. The message from Washington is: the centre must hold.

Poetic **OBSERVER** sensitivities

have been more accurate, he claimed.

Business lunch ■ The spirit of risk-taking free enterprise spawned by the Business Expansion Scheme

lives on. A group of London socialites, including Taki Theo-doracopulos, a columnist for the Spectator magazine, and Sir Ian Gilmour, Conservative MP and former arch-wet cabinet minister, is using the BES to launch a restaurant in Covent Garden.

The restaurant will be known as Christopher's The American Grill, after Christopher Gilmour, son of Sir Ian, who will run the restaurant. Typical menus will include corn-fed American beef and Maine lobsters.

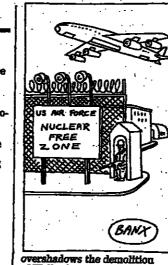
The restaurant's interior decor might be another incentive for potential investors it will feature a mural depict-ing "all the Restaurant's inves-tors, prominent London per-sonalities and its better known customers".

Sappers united ■ Welbeck College, one of the the British army's last male-only bastions, is going co-ed in September 1992. Welbeck is the army's resi-

weineas is the army's rea-dential college for students studying for scientific and technical pre-university entry public examinations, and is traditionally an important start for aspirants to top posts in engineering and technical

in engineering and technical regiments.

Women may now join all British regiments and corps on an equal basis, except combat units. There will be around 30 places for famales at the college, out of a total 170. Welbeck graduates of sufficient to library and the Royal Mills. calibre go on to the Royal Mili-tary Academy at Sandhurst. Only one minor concern



of Welbeck's gender divisions. Although the young men and women will be quartered in separate barracks, the college and its grounds are a war-ren of underground tunnels, constructed in the nineteenth century by the eccentric 5th Duke of Portland. A publicityshy character, the Duke also built an underground ballroon and a lengthy tunnel linking his mansion to the local railway station. Map-reading might become the most favoured course.

Small fraud

■ Russia's first domestically-issued Visa charge card, issued by Credobank, a small private Moscow bank, has just started operating. Russian credit card fraud is already busy, practised on cards used in Russia by wasterness.

westerners. By world standards the scale of fraud is low — 0.05 per cent of total card transactions against a global average of 0.13

It is also fairly easy to spot. Only 1,000 places in the Soviet Union accept plastic; 80 per cent of the fraud happens at 20 outlets. Perhaps the next issue of American Express's Expressions could warn us of the hotspots.

Quick kill

■ Howard Hodgson, who as the head of a chain of funeral directors was once responsible for burying one in ten of Britain's dead, is back on the corporate scane.
Hodgson, who sold his stake in his old company earlier this year, is launching a manage-

ment consultancy company in conjunction with, among others, Mr John Gunn, best known as the chief executive of British & Commonwealth, which collapsed last year. Hodgson, who has a book coming out called *How to be Dead Rich*, has no intention of jeopardising the considerable fortune he amassed as a funeral director. Recently turned 40, Hodgson considers he has reached "half time" in his business career. He has put aside £200,000 for new ven-tures, but has invested the rest more conservatively. "I did not want to wake up when I'm 45 and find I'd lost it all," he

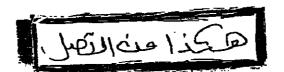
Face lift ■ Britain lost considerable

face recently; it left out an important paragraph on investment protection in Hong Kong in the joint communique of the Sino-British Joint Lisison Group, which has just held its 20th meeting in London. Such negligence could have been seen by the Chinese as politically-motivated. But after Mr John Major's successful visit to Beijing earlier this month, Chinese officials

sprang to the red-laced Foreign Office's defence. "The meeting had only just-finished and they had to prepare their communiques very-quickly," they said, handing out their own complete text of the communique in English,

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ij.



innie the Pooh, the honey-loving bear featured in A A Milne's children's books, cuts an unlikely figure in the thrusting world of business. But this weekend Winnie was drawn into the bitter battle between Britsin's heek nub.

drawn into the other battle between Britain's book pub-lishers and book sellers.

The Winnie the Pooh Story-book was one of 20 books which Dillons, the chain of bookshops owned by Mr Terry Maher's Pentos group, sold at a discounted price on Saturday in its latest attack on the net book agreement (NBA), the nism that sets minimum

mechanism that sets minimum prices for most books.

Dillons' discounting seems to have worked. Mr Maher said the Fooh Storybook, a set of books which had not sold at all mechanisms. in some Dillons' shops at the original price of £60, became one of the chain's best sellers at its new price of £45. Mr Maher, who claims Dil-

lons' sales were 10 per cent higher this Saturday than the £700,000 usually taken on the same day at this time of year, is determined to press ahead with his campaign against the NBA. He is doing so despite an injunction granted to the Pub-lishers' Association on Friday to prevent him selling books at a discount without the publish ers' permission. Dillons is able to continue because Reed International, whose book bustnesses include Octopus and Secker & Warburg, now publishes its books outside the

Later this week Waterstones, which is owned by W H Smith, the biggest single player in book retailing, will almost certainly enter the battle by cut-ing the prices of Reed books. Mr Tim Waterstone, chairman, has supported the NBA in the past but said he had no option but to join the price war by discounting "deeper and wider than Dillons" for fear of losing

The initiative by Dillons and Waterstones represents the most serious threat to date to the NBA. If other book sellers join in, and other publishers follow Reed's example, the

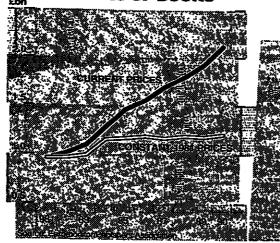
Industry opinion is divided over the net book agreement. Some dismiss it as an anachronism that artificially inhibits book sales. Others see it as a sorely needed source of protection for small bookshops and independent publishers.

Both camps agree that the threat to the NBA comes at a very sensitive time for Britain's publishers. The book industry has already been hit by a sharp fall in sales in one of the worst recessions it has known. At the same time the publishers are struggling to

Final chapter for book price accord

Alice Rawsthorn and Raymond Snoddy on the latest assault on the UK net book agreement

UK SALES OF BOOKS



the structural changes in their market: the growing power of the retail sector and the emergence of the new breed of multinational

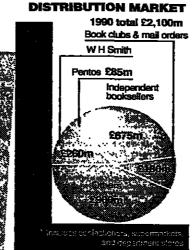
publishing groups.

The critical question for the industry is whether it would be able to cope with the end of the NBA at a time when it is

The consensus in the industry is that the number of books sold to the public – which account for two-thirds of the £2.1bn overall UK market, according to the Euromonitor research consultancy – is down by between 10 and 15 per cent on 1990.

Publishers have been forced to cut costs by reducing the number of books printed and publishing fewer new titles. here have been thousands of iob losses across the 18,000strong industry. The Publishers Association recorded 600 redundancies in one month alone earlier this year.

The impact of the recession has been intensified by the industry's internal problems. One problem is the backlog of high advances paid to authors in the 1980s, such as the estimated £625,000 paid to Michael Holroyd for his literary biography of George Bernard Shaw. These advances were paid on books which are being published now when demand is



depressed. Some publishers will not recover their invest-The industry is also destabil-

ised by the acquisitions of the 1980s. These were the deals that created the multinational publishers such as HarperCollins, part of Mr Rupert Murdoch's News Corporation, and Random House, owned by Mr SI Newhouse, the US publishing magnate, as well as the Reed book business.

The battle over the NBA is certain to make book publishing even more competitive

The formation of the multinationals was followed by a stream of restructuring as they reduced overheads by pooling areas such as sales, distribution, purchasing, printing and administration. This restructuring has almost certainly added to the job losses.

So far the multinationals have had mixed success. Their supporters, such as Mr Alberto Vitale, chairman of Random House, claim they have already achieved impressive, though productivity. Their critics,

such as Mr Matthew Ryans chairman of Faber, the independent London publisher, still say the culture of a large company is not compatible with "a batty business like publishing where profits fluctuate wildly from year to year".

However the multinationals could become more powerful in the future if the NBA disappeared and they were able to exploit the competitive advan-tage of size. Their ability to do so would depend on the extent to which the NBA's abolition encouraged the book sellers to their suppliers' publishers, thereby squeezing publishers'

Publishers' margins are already under pressure because of the expansion of the large chains of book shops, notably W H Smith and Pentos. during the 1980s. Euromonitor estimates that one in every three books are now sold by just six chains.

These chains have been able to negotiate higher discounts than small, independent bookellers. If the NBA disappeared they might demand even big-ger discounts to help them to cut the price of books.

Mr Maher certainly intends to do so. At present Reed gets the same margins on the books it sells to Dillons, regardless of whether they are discounted. if Pentos orders 10,000 copies of a novel he plans to discount, rather than the 1,000 he would usually order, he will expect better terms from the pub-licher

lisher.
Mr Maher, and the NBA's other critics, argue that, if the agreement were abolished, book sales would increase because retailers would be in a better position to promote their products. Some publishment are concerned that were it. ers are concerned that, even if he is right, the increase in sales might not be sufficient to compensate for the fall in their

This would almost certainly intensify the pressure on small, independent publishing houses which, unlike the mulnals, would not be able to offset a reduction in prices by exploiting the benefits of

conomies of scale. The small houses might then be squeezed out of mainstream publishing and be forced to become more specialist. Alter-natively they might be forced to form links with the multinationals. One small London house, Sinclair Stevenson, has already sold a stake to Reed. Another, the Everyman Library, has delegated respon-sibility for distribution to Ran-dom House.

At the same time the NBA's abolition could make life more difficult for independent bool sellers, given that they would not have the same clout as the chains to demand high discounts from publishers to cut the price of books. In the US, where minimum book prices have long since been abolished there are proportionally fewer mainstream independent book shops, but small, specialist

booksellers are flourishing. If the same scenario were replicated in the UK, the book market would be locked in a vicious cycle as big book chains and multinational publishers gained ground at the

The polarisation of the industry between very large and very small, specialist comand very small, specialist con-panies — both in publishing and retailing — would almost certainly accelerate.

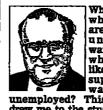
The battle over the NBA is certain to make book publish-

ing even more competitive Some publishers suspect it will be too competitive. Mr Waterstone is one. He fears the industry is "not strong enough to sustain" a book price war.

However, Mr Maher is con-vinced his campaign is not only unstoppable, but in the long-term interest of the industry. The end of the NBA would help it to sell more books, just as Dillons did this weekend with Winnie the Pooh.

Samuel Brittan

Why unemployment has risen so much



are so many wants, people who would like to work to supply thes

unemployed? This question drew me to the study of political economy. For a long time I wrongly believed that Keynes had solved the problem.

The most important research into this topic in the last decade has been that undertaken by Richard Layard's Centre for Labour Market Economics. Its very title suggests a necessary change of emphasis from Keynes's own absorp-tion in financial issues. The centre is now being expanded into a Centre for Economic Performance. This is, therefore, a good time for a compre-hensive account of its findings.

Why has unemploymen increased so much since the late 1960s, and why by far more in the European Community than in Efta countries?

Market economists say that unions or government regula tion price workers out of jobs. How can this be? Cannot employers offset the effects of higher nominal pay by raising prices and restoring their original mark-up? They can try; but this will leave wage earners feeling cheated and coming back for more. Unemployment has to be high enough to moderate wage earners' real expectations and thus to prevent a wage price spiral from gather-ing force. High unemployment will thus often reflect the attempt to obtain excessive real wages rather than high real s themselves. The authors call the process "wage pres-sure" and their explanation of it is a notable contribution to

macroeconomics.
What accounts for wage pressure? It is all too easy to explain in western Europe where union power and official policies increase the costs of hiring and firing. But how is it explained in the US, which is much less unionised? The authors have adopted the idea of "efficiency wages" as another source of wage pres-sure independent of unions and government. This some

what misleading expression describes the well-known desire of employers to pay to retain and motivate a highquality labour force. As a description of how businessmen think, the idea is obvious. But I find it unconvincing at

an economy-wide level.

Whatever the reasons for wage pressure, there is a minimum level of unemployment required to prevent wages and prices chasing each other upwards indefinitely. This will be familiar to my readers as the NAIRU - the non-acclerating inflation rate of unemployment. Layard sometimes call it "equilibrium unemployment". It is the stage to which the system will return when both boom and slump are behind us. It is the analogue in the labour market of what I called normal capacity operation in Thursday's Economic Viewpoint.

The authors find that unemployment will be higher, the

High unemployment often reflects the attempt to obtain excessive real wages

longer benefit lasts and the higher its ratio to pay. It will also be higher the greater its union strength. So far, so Thatcherite.

One more Pahian finding is that labour market policies such as training, counselling and last resort public works jobs do keep unemployment down. Another is that union strength can be more than off-set by what the authors call rporatism – central co-ordination of pay bargaining. Co-ordination by employers is, however, shown to be three times as important as co-ordi-nation by unions. Sweden still emerges as the model country.

The main reasons given for the large increase in the British equilibrium unemployment

rate relate to distant happen ings, such as worsening term on trade, increased union influence and more generous benefits, all of which came to an end by the early 1980s. The only up-to-date identified adverse influence. of trade, increased union influ adverse influence is the increase in skill shortages in any given condition of the

labour market.
The authors freely admit that they have not provided a satisfactory explanation, given recent developments such as the reduction of union influ-ence and the much stricter benefit regime. One possibility, left open by the authors, is that equilibrium unemployment has indeed been reduce and that once inflation has been stabilised at a level approment will fall surprisingly in the 1990s.

Layard's own view is that the Thatcherite labour market reforms have been offset by an unfortunate move to decentral ise pay bargaining which should not have been any part of them. I can see that a highly centralised bargaining system, such as Sweden's or Austria's, is better placed to take into account economy-wide effects than British-style collective bargaining. But why should a move from industry or company-wide negotiations, to one which takes into account local labour market conditions, be harmful, once the transitional

costs are out of the way?
So far I have tried not to comment on the predilection of this book for centralisation and governmental reforms rather than deregulation with weaker unions. But I am afraid that it does affect the diagnosis as well as the policy recommendations. Readers, however grateful for the mass of work in one volume, will have to make their own allowances *Unemployment: Macroeco-

nomic performance and the Labour Market, R Layard, S Nickell and R Jackman,

UK UNEMPLOYMENT TREND									
	1956-59	1960-68	1969-73	1974-80	1981-87	1988-90			
Average rate % Equilibrum rate %	2.24 2.2	2.62 2.5	3.39 3.6	5.23 7.3	11.14 8.7	7.27 8.7			

LETTERS

US planners offer answer on traffic

From Mr Angus Dolgleish
Sir, The letter from Mr Alvarez Moro (September 26) highlights the apparent help-lessness of European traffic authorities when trying to introduce simple, obvious measures to give priority to high occupancy vehicles. In the US they have been developing techniques for more than 20 years and have little difficulty in enforcing them. One traffic lane into Manhattan carries three times as many seated as in an hour as does any rail track into central London. There are many other successful examples of lanes used

by buses and car-pools. For transport planners in Europe, America might be on a different planet. They appear to know nothing or care nothing about what has been Angus Dalgleish, Shouson Hill,

Chertsey KT16 9NH

Canada, not UK, on the up From Nigel Wilkins

Sir, Edward Balls ("UK and Canada: similar problem, different solution", September 23) will have to look further afield than Canada to find a country whose government has mis-handled economic policy as badly as that of the UK.

The most striking difference between the two economies is that the Canadian economic recovery began during the early summer, while in the UK we are still searching for faint murmurings among the under-

Whereas the output measure of GDP in the UK fell a further 0.9 per cent in the second quarter — leaving it 3.7 per cent below its lovel a year earlier — Canada's GDP bounced back with a rise of 1.2 per cent in the quarter, just 1.5 per cent below the previous year's fig-ure. Unemployment has already stabilised in Canada. in the UK, on the other hand, we have many months of grim news ahead of us. Nigel Wilkins, & Petersham House,

Accusation of racism against union is 'absurd and ridiculous'

From Mr Ken Gill. Sir, Much nonsense has been written and spoken about our motion to this year's Trades Union Congress on inward

ridiculous and damaging".
Is it so absurd, ridiculous or

damaging to campaign for British industry to be, by and large, controlled by British people? The report also referred to Gavin Laird's accusation of racism against MSF. This is "absurd and ridiculous", but fortunately not

"damaging".
Practices which are contrary
to the traditional British arrangements are properly described as alien. They would be alien whether introduced by Japanese or British companies. Those who insist on describing this use of language as racist

Your story, "TUC seeks to soothe Japanese" (September 21), among other things refers to a statement by Mr Edmund Dell, the former Labour trade secretary. He described the TUC resolution as "absurd,

are either illiterate or are being mischievous. The issue of substance con-

cerns the strategic approach of

giant Japanese companies to industrial relations. There is no question that these companies are trying to undermine trade union strength and that their insistence on company unions and no strike deals has seriously divided the British trade union movement. It is certainly alien to the letter and spirit of the ILO conventions that the employer and not the workforce chooses the employ-

It is the responsibility of trade union leadership to protect best international practice and prevent giant transnational corporations from trampling over fundamental democratic rights.

That is all the TUC resolu-

tion seeks to do. I am pleased that 85 per cent of congress saw it this way. Even as an employers' man. Mr Dell should understand these

gium and the Republic of Ireland it is about one member for 300,000-400,000 and in the

represents fewer than 100.000

The outcome of this is that voters in Luxembourg have 10 times the amount of political clout as voters in the UK so far

as MEP representation is con-

It would be ludicrous to build more political control into such a thoroughly unbal-

anced parliamentary represen-

tation. The structure, as it is, is unworthy of further political

significance and I would expect MEPs themselves, as demo-crats, to be among the first to recognise the need for funda-

tion of their own body.

D Arnot Shepherd,

Chartered Surveyors,

& E Shepherd.

13 Albert Square. Dundee DDI IXA

ental change in the constitu-

MSF general secretary, Park House. 64-66 Wandsworth Common North Side

Representation too unbalanced

Ken Gill,

for more EC political control From Mr D Arnot Shepherd
Sir, The Dutch presidency of
the EC is proposing to give the
European parliament greater
legislative powers. Surely,
before we go down this line the
whole basis of representation
through MEPs in the European
perliament must be fundamen. parliament must be fundamen-tally altered.

Britain has been a great exponent of democracy world-wide, based on one man one vote, yet here we are in Europe on an entirely false basis of

At the last European parlia-mentary election I noted that the average constituency per MEP in the UK, France and Germany was about one mem-ber for 700,000 voters. In the smaller countries such as Bel-

Fax service

'Indulgence' of Radio 3

Sir. The report on Lord Young's speech to the Royal Television Society (September warrants serious attention.
 You quote him saying: should be abolished." Lord Young, in firing his salvo in anticipation, assumingly, of the renegotiation of the BBC Charter, raises major issues on quality, cultural standards and the existence of one of the world's finest public radio sta-

The reduction of the colour television licence fee reported tion of the "indulgence" is hopefully not a view of those currently in office. Ian Simons. London W11 3TG

Power report not doctored

From Mr Andrew Barnett. Sir, You reported (September 20) the shadow minister of overseas development's view that my report on UK aid to six Schemes was "doctored"

I would like to make it clear

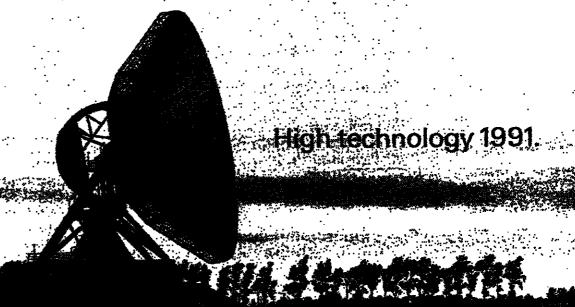
that the changes that did occur between the first draft of February 1988, and the last, dated July 1990, were never the result of pressure from British business or from politicians. Indeed, all the comments from British business are included as a separate addendum to the final report. Ann Clwyd's com-ments are the first I have had from any politician!

Despite the changes, the final report remains highly critical of these particular power projects. Readers of the report can be left in little doubt that the system for providing concessional finance to the power sector needs considerable improvement - not future for companies if a significant proportion of equipment they sell cannot be maintained locations not in need of it. I take it from Ann Clwyd's

expect an avalanche of declassified documents, come the next election! Andrew Barnett, 33 Southdown Avenue, Brighton BN1 6EH

press release that we can

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Three hundred years ago, we Dutch were already aware of what we could achieve with technology. This awareness has never diminished. Today, we're still developing some of the world's most sophisticated solutions. Solutions in the field of telecommunications, for example. Demonstrated by PTT Telecom Netherlands at Telecom '91 in Geneva. Actual, workable solutions.

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We'll demonstrate just how flexible videoconferencing and satellite communications can be. We'll explain the short-term impact of fiber optics. And we'll show you how your telecommunications can be smoothly integrated into existing processes.

In short, we'll be demonstrating solutions that are flexible, compatible and reliable. And developed by people who take pride in creating realistic, worldwide technologies for the future. International by nature



FINANCIAL TIMES

Monday September 30 1991

at any peace conference. In New York, the US secre-

tary of state, Mr James Baker, welcomed a Palestinian decla-

ration backing a Middle East

peace conference, but said he was still not ready to issue

Arab states, including Egypt and Jordan, welcomed the Pal-estinians' Algiers declaration.

In Amman, Mr Taher al-Masri, Jordan's prime minister, said

the PNC had "dealt with

events with realism and adopted resolutions that will

help in implementing interna-

tional legitimacy and easing the suffering of the Palestinian

Mr Yitzhak Shamir, Israel's prime minister, avoided official

comment on the PNC's condi-

invitations to the meeting.

WOODROW 2233

Teamwork in Construction Housing Property Trading

Palestinian 'parliament' clears obstacles to indirect PLO representation at conference

Arafat wins mandate for peace summit

By Tony Walker in Calro, Hugh Carnegy in Jerusalem and Lamis Andoni in Algiers

MR Yassir Arafat, the the peace summit from Pales-Palestine Liberation Organisation chairman, has emerged from a session of the Palestinian "parliament" with his hand strengthened for delicate negotiations aimed at ensuring Palestinian representation in a proposed Middle East peace

The five-day session of the Palestine National Council, concluded at the weekend, gave Mr Arafat a relatively flexible mandate to say "yes" to a summit without direct PLO involvement. However, significant obstacles remain to Palestinian representation.

Israel, which signalled satisfaction with the Algiers declaration, insists it will not deal with what it calls the "terror-ist" PLO.

The PNC endorsed the PLO's

tinians inside and outside terri-tories occupied by Israel in the 1967 war, including Arab East Jerusalem. Israel refuses to talk to Palestinians from the Arab sector, saying this would undermine its claims to a united Jerusalem as its eternal

In Algiers, Mr Arafat said the "ball is now in the other court", a reference to the role of the US, the Soviet Union, the United Nations. Israel and other participants in the proposed summit.
Asked if the PNC statement

amounted to conditional agreement to attend the peace con-ference, Mr Arafat replied: "We have the right to put our view

and requests."

Arab states, including Syria,
Jordan, Egypt and Lebanon,
have agreed to attend the

planned summit. Israel has given conditional agreement to participate, provided the issue of Palestinian representation is resolved to its satisfaction. Washington is prodding the

Palestinians to form a joint delegation with Jordan as a way round an Israeli veto. The PNC declaration, agreed

by an overwhelming majority of the about 300 delegates present, called for peace on the fol-lowing terms which PLO offi-cials insisted were flexible: UN resolutions 242 and 338. calling for Israeli withdrawal from land occupied in the 1967 and 1973 wars, should be imple-

regarded as an integral part of the occupied territories Jewish settlements in the territories, including in Jerusalem, should be halted:

Jerusalem should be

tional support for a peace con-• The PLO should be ference, while acknowledging a conference would probably entrusted with the right to form the Palestinian delegation

He is keen to underscore Israel's refusal to grant any role in peace talks to the PLO which dominates the PNC. But he also tacitly acknowledged that the PNC stance left open the way for plans for a peace

At the same time he expressed concern that recent US pressure on Israel over loan guarantees to help fund Soviet Jewish immigration undermined the US role as impartial mediator. Three right-wing fac-tions, whose seven seats give Mr Shamir's coalition its parliamentary majority, threat-ened to pull out of the govern-ment if the prime minister agreed to attend a peace con-

Wishful thinking and toxic wastes

THE polis are now forcing the government to put its hopes where its convictions can hardly be: in economic fore-casts. Forecasts have been unreliable; but the Treasury seems to get more confident with every disappointment. Since model-builders hate to scrap their handiwork, their obstinacy is understandable in human terms. However, the ministers who choose to believe are showing more faith

than reason. The UK recovery is supposed to be consumer-led; but if you talk to those who depend on consumer demand for business rather than for votes, you will not hear of recovery. The mass market trades hope for some Christmas revival, but see no sign of it yet; the luxury trades are in worse shape. Exports. then? The boom in car exports. mainly to Germany, which has produced the illusion of dynamic growth is already fad-ing. Meanwhile, the rest of Europe is slowing down. Industrial investment? Don't be silly. If you can't find evidence, fall back on cliches. The opti-mists tell us that recovery is never visible until after it has happened, that the continued rise in bankruptcies and sack-ings is normal in the early

I would much prefer a brief to describe the UK economy to the Labour get-together than to try to provide support for Conservative wishful thinking

stages of a recovery; this is all

perfectly true, but these things also happen when there isn't a recovery. The darkest hour may be just before the dawn, but it is dark at night, too. Alternatively, we are told that the turnround in confidence shows that the faith of the forecasters is widely shared. This would be impres-sive if it were true; but if you look at the surveys closely, you will see that they are concerned with short-term developments. They compare the next short period with the cur-rent one. All that they really say, then, is that industry no longer expects things to get even worse than they are now. which is something short of a trumpet call. It is, pretty much proved wrong; there is no such thing as a reliable forecast. A recovery is possible, but don't

At the moment, I would much prefer a brief to describe

the UK economy to the Labour



By Anthony Harris

Party get together this week than to try to provide support for Conservative wishful thinking. It is interesting to contrast the UK government's state-ments with those of the US authorities. Official forecasts by both are rose-tinted; but President Bush, who has few worries about re-election, takes them with a large pinch of salt. The evidence for some sort

of recovery in the US is stronger than in the UK. It is hesitant and disappointing, but export growth at least is broadly based and long sustained. But the authorities do not thump their chests. The Fed goes on reporting weak activity and cutting interest rates, benignly neglecting the exchange rate. The White House wants more and com-plains that the prudential squeeze on bank credit, hardly mentioned in London any more
- is inhibiting recovery.

Investors seem to prefer frank grumbling to obvious propaganda: it is the Americans who are voting for recovery. Even after the bull run this year, British price; earnings ratios are only a point or so above their 1980s averages, and nearly a third below their peak in 1987. The Stan-dard and Poor's industrials, on the other hand, look somewhat exposed, over 21 and less than three points below the speculative peak in 1987. (This suggests that a UK investor might prefer to hold his stake in US prospects through a British company.)

The bond market provides an under-pinning for both mar-kets. The US yield ratio, at just over 2.6, is well within its normal range and miles below its years ago. In Britain the multi-ple is only just over 2, com-pared with a peak almost as high as Wall Street. This seems to reinforce the case for London, but only only up to a point. It reflects the fact that British interest rates cannot in the foresecuble future fall as low as those now in prespect in the US. Again, the real mural is that London is an attractive route to the outside world rather than to the constrained

UK economy.

A consideration of earnings makes one a good deal queasier about the domestic outlook. The current p/e ratio may look reasonable historically; but what is the quality of the earnings? ines? In too many companies. they seem to bear more evi-dence of creative accounting

than of performance.

The current fashion for white collar redundancies represents not only economy, but a cut in provision for the future. So do some economies which cannot be read from the accounts, but only from the results of service industries

results of service industries for example, the poor current results of specialists in toxic waste disposal. That has a nasty message for the future. There is a real danger that institutional pressure for evergisting dividends is making anulties more risky not less equities more risky, not less. Some companies will be able to reveal and absorb their cur-rently hidden costs when times improve, resulting only in dis-appointment about profits growth. Others - every ana-

Others are doing what is euphemistically called "managing for a takeover". This is a hollowing-out process, a kind of slow-motion voluntary liquidation

lyst has his own little list are doing what is euphemisti-cally called "managing for a takeover". This is a hollowing-out process, a kind of slow-motion voluntary liquidation. Core capital is distributed as dividends; the nasty surprises are left for the unwary bidder. There is also a political reason for playing it short. As long as there is a realistic pos-sibility of a Labour government, there is also a possibility of a very sharp rise in capital gains tax. This provides a strong motive for successful

entrepreneurs to realise their gains sooner rather than later. This is possibly just a matter of bed and breakfast - but not everyone can be relied on to appear for breakfast. Either price which matters.

Deplorable, you may think; but if any company managers are behaving like this, they can claim a political model What are the toxic wastes hid-

Mobutu to form unity government

Continued from Page 1

yet break down amid renewed conflict. The chances of the new government succeeding will depend on how much particularly over the army.
At the talks yesterday, sur-

rounded by his heavily-armed elite presidential bodyguard, Mr Mobutu looked confident Despite fears that his newfound enthusiasm for co-opera-tion may be a delaying tactic, opposition leaders are optimis-

tic that they will be able to rule freely and prepare the way for Mr Mobutu's exit. "Mobutu may not accept that his rule is over but, with the pressure of the people, we will impose the reality on him," Mr Tshisekedi said. "As prime minister I don't intend

to consult with him or have

consult the people."



President Mobutu Sese Seko walks to the Marble Palace in Kinshasa to discuss the formation of a crisis government

Entry to narrow band of ERM more likely after upbeat forecast

Madrid sets conservative budget

By Peter Bruce in Madrid

SPAIN'S finance minister, Mr Carlos Solchaga, presented the outline of his conservative budget at the weekend with a promise that it will herald a 'year of recovery" for the

Analysts believe the budget raises the likelihood of the peseta making an early entry into the narrow band of the exchange rate mechanism of the European Monetary

Mr Solchaga said public spending would rise to Ptal3,600bn (\$127bn), an 8.4 per cent increase on 1991. Income would increase by 11.2 per cent to Pta12,600bn, leaving a budget deficit worth just 1.6 per cant of gross domestic product.

That, however, is a considerable step back from this year's target deficit, which has been hit by massive public spending overruns. While Mr Solchaga has been able sharply to trim infrastructural spending next

Felipe Gonzalez, the prime minister, to make steep

having risen so sharply this year, the amount set aside to buy back government debt will rise 26 per cent to nearly Pta2,000bn.

Mr Solchaga agreed that the budget might be mildly infla-tionary. However, his upbeat

ERM currencies.

year, he has been forced by Mr increases in social security and

With public sector borrowing

remarks about 1992 were interpreted by some analysts in Madrid as a hint that Spain might be preparing to move to the narrow band of the the ERM. The peseta, like sterling, is currently allowed to fluctuate by 6 per cent against other

The Spanish have always stipulated that a precondition for moving to the narrow band is the lifting of all capital and tariff barriers. This has just been done, though Mr Solchaga

denied that entry was It is thought that Spain's decision to switch bands will

be heavily influenced by political considerations, in the same way as was its original decision to enter ERM in 1989. Mr Gonzalez is keen to deepen - not widen - the European Community. He may feel that a Spanish commit-ment to even tighter EC mone-tary discipline would help

efforts to reach agreement on economic union at December's EC summit in Maastricht, observers believe. Narrow band membership

might also strengthen the Spanish case for the establishment of a new EC compensation fund to channel Community funds south.

Peseta membership of the narrow band, in which it could fluctuate by only 2.25 per cent, would involve a substantial Spain's high real interest rates. Such a cut would also be required to reignite the rapidly cooling economy. This explains why Mr Solchaga's remarks have fed speculation about an narrow early

nembership. It is widely believed that the inflationary results of any sub-stantial fall in interest rates would be met with a fero-ciously restrictive budget for 1993. This would occur only after a mid-1992 general election to take advantage of eco-nomic recovery, the 1992 Olym-pics in Barcelona and Expo 92

Mr Solchaga said he expected inflation to be 5 per cent by the end of 1992. This is an upward revision of the draft 4.5 per cent target set two months ago. Inflation this year was supposed to fall to 5 per cent, but looks likely to be around 5.6 per cent by the end of the and sustained lowering of year.

SDP hit by economic hardship in Bremen

By Christopher Parkes

THE rising tide of xenophobia in Germany yesterday cost the SPD its overall majority in the Bremen state parliament, and gave the extreme right-wing DVU an estimated six seats.

The Christian Democratic Union, Chancellor Helmut Kohl's party, made a strong showing, raising its share of the vote from 23 per cent four years ago to about 31.5 per cent. Although the result goes some way towards compensa-ting Mr Kohl for his party's severe losses in three state elections earlier this year, it still leaves the SPD as the majority party in Bremen.

its share of the vote fell from more than 50 per cent last time to around 40 per cent, giving it an estimated 41 seats in the 100-seat chamber, against 32 for the CDU (25). There was speculation last

night that an SPD coalition with the Greens, holding steady with between 9 and 10 per cent of the vote, and retaining 10 seats, was possible. Until yesterday, the SPD had ruled the state alone for 20 years.

The vote for the FDP, the

CDU's coalition partner in the national government, was unchanged at around 10 per Ms IIse Janz, head of the local SPD, said she was "deeply

shaken" by the result, and her CDU opponent Bernd Neumann said it was "sensa-tional", but all mainstream parties denounced the vote for the DVU. This extreme rightwing group first entered the Bremen parliament in 1987 with just one seat.

During the campaign the CDU had taken the local ruling party to task for the over-liberal attitude of senior members of the SPD in Bonn towards the problems the country faces in dealing with the flood of people seeking refuge in Germany under the protection of its liberal asylum laws. Upto 250,000 people are

expected to crowd into Germany this year.

dominate meeting

cial co-operation into additional, separate treaties to the Rome text, keeping them as areas of inter-governmental co-operation between the Twelve. The Dutch upset many of their partners by putting the two new policy areas into a single draft treaty, radically

Continued from Page 1

amplifying the powers of the Strasbourg parliament and further extending majority voting in the Council of Ministers. Among the most influential members, Germany backs the Dutch draft and insists on greater powers for Strasbourg as its main condition for economic and monetary union

for German commitment to Even if the Dutch backtrack, many of their ideas, especially on the parliament, will stay on

EC row will British banks attack plans for photographs on credit cards

By David Barchard in London

A PLAN by the British government to introduce pho-tographs on credit cards and cash machine cards is being resisted by the hanks who accuse it of trying to introduce a national identity card by the

back door. The banks also say that forc-ing them to put their customers' photographs on cards would have little or no effect in stamping out credit card fraud. They fear retailers would not pay much more attention to photographs than they do to

signatures at present. Mr Kenneth Baker, the British home secretary, and Mr John Patten, home office min-(Emu). France would tolerate a ister, have been pressing the banks over photographs on credit cards for several weeks stronger parliament in return through APACS, the inter-bank association for payment clear-

This follows a report on bank and cheque card fraud by

Professor Michael Levi of Cardiff University earlier this year. He said that public opinion would not resist the idea of a photograph on a bank card. Prof Levi warned, however, that it might not bring direct net benefit to the financial

Banks regard this as an indication that the government's primary motive in making the proposals, which would affect holders of more than 30m cards in the UK, is to ensure that most citizens carry some form of photographic identification.

institutions themselves.

The banks are to consider a common response early this week. In spite of their hostility, they are reluctant to confront the government directly. They believe that they could face a campaign against them comparable to the row over banks and their interest rates for small businesses earlier this year. Some senior bankers pri-

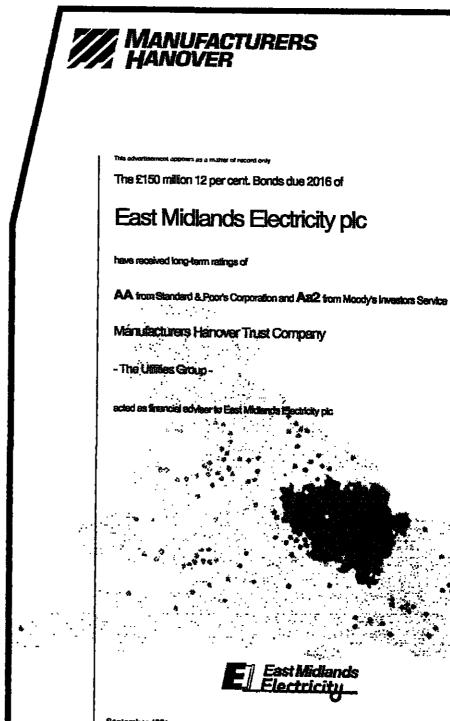
vately regard this campaign as politically-inspired.

A note setting out the banks' common position on the intro-duction of photographs has so far run through more than 20 versions. The note would lay the

ground for a meeting between the government and banks

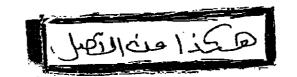
next month. Credit card fraud is rising sharply in the UK. Last year it cost about £130m (\$226m). This year's losses will be about £160m and the banks accept that losses could be more than

£200m a year in a few years. However, they regard photo-graphic identification as poten-tially less reliable than greater use of personal identification numbers on cards or the intro-duction of smart cards with encoded information on a microchip to identify their owner by electronically verifying his or her signature.



Temperoaures at midday yesterday C-Cloudy Dr-Orizzle F-Fetr Fg-Fog H-Hall R-Rain S-Surary St-Sect Sn-Sagw T-Thunch





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FINANCIAL TIMES COMPANIES & MARKETS

Monday September 30 1991

Berlin banks poised for merger



INSIDE

Ferfin hopeful despite fall

Ferruzzi Finanziaria (Ferlin), the financial hold-ing concern controlling the Ferruzzi-Montedi-son group, expects "moderately positive results" for the year-in spite of a first-half tall in group consolidated profits after minority interests to L83bn (\$66m) from L180bn last

Decision day for Molins

Molins, maker of specialised machinery for the tobacco industry, could know today the result of its 18-month battle for independence against US financial conglomerate Leucadia National It will be counting proxies for tomorrow's EGM, at which Leucadia, with a 48.5 per cent stake, will try for the second time to win control of the

Bids lift bankers' spirits



The recent spate of takeover bids in Britain has been lifting the spirits of bankers hoping for a busy final quarter in the syndicated loans market. Top of the list is STR, the industrial conglomerate bidding nearly £1.5bn for engineering group Hawker Siddeley. Page 25

<u>Italian bonds ignore bad news</u>

in spite of political and economic uncertainty the italian government bond market staged a strong rally in September. On the one hand the government was nearly brought down last week by divisions over a 1992 budget package. On the other, an OECD survey of the economy warned the country it was dangerously out of step with its main trading partners. Page 24

Dawn of the disposable PC?

The era of the disposable personal computer may be around the corner. Chips & Technologles, a Silicon Valley supplier of semiconduc-tor components for personal computers, today launches à "single-chip personal computer" which promises to drive the cost and size of PCs down to calculator proportions. Page 23

Market Statistics

Base janding rates	34	Managed fund service
Euromadust ternover	· z	Money markets
FT-A World Indices	. 3	Mew int bond issues
FT/AIBO int bood svca	2	NiRi Tokyo bond index
Foreign exchanges	3	
London recent Issues	8	
i corton chara contica	93 4	E Made stort out inches

Associated	Nursi
BET	•
Crédit Suiss F&C Pacific	
FI Group	
Ferfin - Gardner (Di	.
Goodwin	

Jacks (Win)

Broe, suggests otherwise.

They argue that public expenditure, like so many other aspects of UK economic

life, has to adapt to the fixed

exchange-rate regime of ERM membership. According to Mr

Smith, both the government – and the Labour party if it comes to power – will find

that increases in public expen-diture will damage economic

growth in general, and private

sector output in particular, so long as storling is pegged.

The reasoning is contained in a paper by the Warwick team published last month in the Personnel of the

the Economic Review of the

National Institute of Economic and Social Research.

In a comparative analysis of

Treasury, the Bank of England and Oxford Economic Forecast-ing the Warwick researchers

lic expenditure would, within three or four years, have an overall negative effect on UK

output as measured by gross

Comestic product.
They said maintaining the

Value of sterling would require increases in short-term interest

rates, which would "crowd out" growth elsewhere in the

economy. Moreover, the War-wick team said the manufac-

turing sector would suffer a disproportionate fall in output.

Mr Smith took the Warwick findings and calculated the

impact of a £2bn-a-year increase in public expenditure

at 1990 prices on economic

growth. The Treasury model

suggested that gross domestic

product would be depressed by £1.7bn (\$2.95bn) in the fifth

year while £3.7bn of private

cluded that increased pub-

23 Molins 22 Mrs Fields Polly Peck 1984 when Apple spent a million dollars on a TV commercial that

struggling to commercialise techattempting to revitalise their cor-

says, Apple was "a niche player in a high-growth segment of the computer industry". In the 1990s, he aims to "bring Apple into the mainstream" of corporate com-

The IBM alliance has become the cornerstone of Mr Sculley's "agenda", involving some

It is expected to be discussed in the state parliament next month, according to Der Spiegel, the German weekly news magazine.

With a business volume of more than DM120bn (\$71bn), BBH would become the sixth largest commercial bank in Germany. In terms of shareholder equity its DM5.2bn would make it fourth-equal with Bayerische Vereinsbank and Hypobank. Credit business, according to Der Spiegel, could reach DM36bn. The magazine said the city would retain a majority stake in

the new company and 25 per cent would be held by the Gothaer Versicherung insurance group linked via cross shareholdings to About 15 per cent would be placed in the stock market, and

negotiations were under way for the balance to be taken up by Barclays and Crédit Lyonnais. Quoting from documents pre-ared by Berliner Bank and Landesbank Berlin, the magazine said the merger should "enable the Berlin financial services industry to play a more authori-

that Apple was not going to be a company that shaped the indus-try in the 1990s, in the way it had

throughout the 1980s," he says. New product introductions had

been delayed and Apple was los-

ing market share to competitors. It was also evident that Micro-

soft's Windows 3.0, a program providing IBM-compatible com-puters with many Apple Macin-tosh features, would weaken

Apple's competitive position.

Mr Sculley set about putting
Apple on a new track beginning
with top management changes

including the stormy departure of Mr Jean Louis Gassée, and the

appointment of Mr Spindler, for-

merly Apple's top European exec-utive, as chief operating officer, and later president, of Apple. With Mr Spindler looking after day-to-day operations, Mr Sculley

took charge of Apple's technol

ogy development in an effort to speed new products to market.

Macintosh products last October in a bid to increase the compa-

ny's market share. This strategy

has increased Apple's sales vol-

ume, but lower prices led to reduced profit margins forcing

cost-cutting including layoffs. Next month, Apple will launch

Apple launched lower-priced

east Germany, the development of east European markets and in

the European Community." Berliner Bank, which last year reported a 16 per cent earnings rise in the wake of rapid expansion in the east, has already swal-lowed up the former eastern Ber-liner Stadtbank, and has been waiting for months for permission from the state authorities to merge with Landesbank Berlin. Crédit Lyonnais is believed to be keen to reinforce German links to ease access to the east.

Apple Computers

Leading private-sector banks in Germany Ranking (1990 business vol.) DMbn

217.9 Commerzbank Bayerische Vereinsbank Bertiner Banken AG* Bank für Gemeinwirt 44.2

SA fund fails to tempt investors

By Sara Webb and Richard Waters in London

THE first investment fund designed to tempt international investors back into South African shares has flopped, marring the country's return to the inter-

national capital markets.

Old Mutual, South Africa's largest life insurance company, called off its planned fund at the end of last week, as recent township violence dampened foreign investor enthusiasm. The launch of the fund, to have been listed on the London Stock Exchange, was made as the Johannesburg Stock Exchange reached its

all-time high.

The failure of Old Mutual South Africa Fund to reach its minimum investment of \$50m will come as a blow to Smith New Court, the London brokers who sponsored the fund. Two other investment houses, Baring Securities and Genesis Invest ment Management, recently decided not to launch funds investing in South African equi-ties after preliminary soundings revealed insufficient interest.

South Africa returned to the international debt markets less than two weeks ago after an absence of six years with a DM400m Eurobond led successfully by Deutsche Bank. Other South African borrowers are now lining up to tap the debt

In spite of its failure, Old Mutual plans to continue monitoring investor interest in South African equities and may relaunch the fund later if condi-

tions prove suitable. Genesis said that in spite of initial investor interest in a South African fund, it decided not to push ahead with the launch because it felt it would be unable to raise its minimum target of \$25m. Genesis said recent outbreaks of township violence

Meanwhile, Baring Securities shelved plans to launch a South African fund because it was worried its fund management arm -Baring Asset Management would lose valuable US state pension business as a result of an association with South Africa.

Smith New Court, a leading shares in London, anticipated demand for the Old Mutual fund from UK and continental European institutions, many of which it believed were changing their views on South African investment following recent political

The Johannesburg Stock Exchange index of industrial companies stands almost 50 per cent higher than in January.

the umbrella of a new company, Berliner Banken Holding (BBH). The odd couple of the computer world

ohn Sculley opens his briefcase like a conjurer about to produce a rabbit from a hat. Inside is a laminated security badge giving the Apple Computer chairman and chief executive temporary employee status at International Business Machine's Austin, Texas, facilities.

MOVES are under way to create a world-ranking financial ser-

vices group based in Berlin which may involve Britain's Bar-

clays Bank and Crédit Lyonnais of France as significant share-

draft legislation to merge the city's majority stakes in the Ber-

liner Bank, the Landesbank Ber-

lin, Wohnungsbau-Kreditanstalt

Berlin and the mortgage group Berliner Pfandbrief-Bank under

State officials are preparing

"This is my souvenir," grins Mr Sculley. "This is where we were all summer and nobody knew about it."

Mr Sculley's mission was to forge an alliance with Apple's biggest and most bitter rival, a move that could radically alter the course of the \$90bn personal computer business in the 1990s. IBM and Apple will announce the final terms and details of their collaboration later this week. The companies have agreed to broad co-operation in

the development of a new generation of PC technology. A joint venture to develop new PC sys-tem software which defines the basic functions of a computer.

Mr Scully acknowledges that "a few years ago it would have been unthinkable" for Apple and IBM to become partners. How-ever, much has changed since

characterised Big Blue as Big Today, IBM and Apple face common challenges. Both are nology faster, and both are

During the 1980s, Mr Sculley

radical changes at Apple. The company will abandon the propri-

etary software strategy used for the past decade to differentiate its products from those of other PC makers in favour of "open"

"At Apple this is like walking into the Vatican and renouncing Catholicism," Mr Sculley says. He acknowledges that Apple will have to compete with IBM and other PC makers on price and faster delivery of products, and by offering more attractive "solutions" to users' needs.

The prospect of going head to head with the world's biggest computer manufacturer and with both companies offering similar products does not worry Mr Sculley. "I spent most of my life com-

Louise Kehoe talks to Apple's John Sculley on the eve of the alliance with IBM

peting like that," says the former president of Pepsi-Cola, where he spearheaded a marketing battle with Coca-Cola before joining Apple eight years ago.

Before approaching IBM a year

ago to suggest a technology development alliance, Mr Sculley and Mr Michael Spindler, Apple president, spent months with their counterparts in the world computer and electronics indusco-operation.

The search for partners was prompted by Mr Sculley's realisation that "Apple would be irrelevant in the 1990s," unless he made drastic changes and that the company "could not do it all

In stark contrast to his enthusiasm today for the future of Apple, Mr Sculley admits to past doubts. "Two years ago, I felt

notebook computers and a high-performance desktop version of the Macintosh. "We will have caught up in the market seg-ments where we have been behind," Mr Sculley says.

Mr Sculley has been developing Mr Sculley has been developing upple's product strategy for the

> role will be redefined. He sees the PC industry splitting into two groups; one driven by open "enterprise systems", the other by miniaturisation and

In corporate computing, the PC is becoming vital in companywide multi-vendor computer networks. Miniaturisation, however, is transforming the PC into a por-

table personal communications priate applications software, it could create a consumer electron-Apple plans product lines for both these segments. The alli-ance with IBM will help Apple to

of the decade", Mr Sculley says. On the consumer side, "we can play a big role because we know how to make technology easy to use", says Mr Sculley. He enthuses about the potential of es about the potential of the miniaturised PC as a "per-



1990s when he expects the PC's Apples's John Sculley: thinking the unthinkable tinue to build on its Macintosh

create a line of PCs for the corporate market. Apple will also consonal communications" device.

THE FIRST anniversary of **Crowding out** Britain's membership of the exchange rate mechanism of the European Monetary Sys-tem falls at the end of this UK growth in the ERM week just as the annual public expenditure round enters its final difficult month. At first, there appears no special resent to link the two events. But recent research by the ESRC Macroeconomic Modulius Property of the Communication of th elling Bureau at Warwick University and by Mr David Smith, chief economist of City of London stockbrokers Williams de

by the fifth year. The Bank of England model pointed to even greater negative effects. It suggested that the £2bn-a-year increase in public spending would depress GDP by £5.3bn and private output by £7.3bn in year five. Such output loss would mean higher

unemployment. On the strength of these calculations, Mr Smith concluded that "the victors in the forth-coming election would be well advised to instigate severe public expenditure cut-backs immediately afterwards to maximise their chance of being returned to office in the late 1990s."

for example, has since been revised in one important respect.
The models in the Warwick

simulation had a backwardslooking exchange rate equa-tion. Their view of sterling's future trends was based largely on the experience of the pound's behaviour in pre-ERM days when governments were frequently forced to defend sterling with sharp interest

The Bank model now has a forward-looking exchange rate equation which, like the finan-cial markets, takes more account of expectations. This

Economics Notebook By Peter Norman

It is expected that the Trea-sury will have to add at least £5bn to its £221bn public expenditure planning total for the coming 1992-93 financial year. If maintained, such expenditure growth could have more serious crowding-out effects than suggested by the simulations of Warwick univer-

sity and Mr Smith.

But models of an economy are not the same as the real thing. They are fallible and, in the case of public spending, do not distinguish between worthwhile public expenditure, such as investment on infrastructure which should enhance the supply side of the economy. and less productive or unproductive spending.

Moreover, econometric mod-els are like cars - they are constantly being redesigned. Those used by the Warwick team were the 1990 versions. output would be crowded out

change has had a significant impact on the interest rate sumptions which, in turn largely determine output expectations.

The forward-looking model suggests that interest rates are less likely to rise so sharply now that sterling is in the ERM and the government has made defeating inflation its highest economic priority. Accordingly, a table in the latest Bank of England model manual shows that higher public expenditure need have hardly any effect on output over a five-year period.

The experience so far this

year of falling interest rates while public expenditure has been growing quite rapidly tends to support this view. But the validity of such for-ward-looking exchange rate equations depends crucially on government policies retaining

their credibility with financial markets. This alone should give Mr David Mellor, the chief secretary, some pause for thought as he haggles to keep down departmental budgets. The model-making exercises have rather more worrying implications for the Labour party. It is committed to a substantial increase in public

spending if it wins power at the next general election, and must also reckon on scenticism in financial markets about its ability to control inflation.

Trinidad Terms

Crowding out of a different kind seems to be threatening one of the prime minister's pet initiatives in the international

At the Commonwealth

Finance Ministers meeting a year ago, Mr John Major, when Chancellor of the Exchequer, unveiled a plan to cut the offi-cial debt burden of the poorest developing countries by two thirds. He hoped this year's economic summit in London in July would adopt and launch the plan, which is urgently needed in Africa Instead, the G7 summit referred the matter to the Paris Club of western

creditor nations.

The Paris club met this month and failed to agree the terms because of US opposition. Japan, which also opposed the terms at the summit, has since softened its posi-

To some extent the Trinidad Terms are being crowded out of the international financial agenda by the problems of the Soviet Union. But the US administration faces difficulties over how to deal with debt write-offs in its budget process and is uncertain whether it can win support for the plan from a hostile Congress.

Mr Major has raised the mat-ter twice with President Bush in recent months. But the main responsibility for pushing the plan now falls on Mr Norman Lamont, the present Chancellor, when he attends the annual meetings of the Inter-national Monetary Fund and World Bank in Bangkok next

Small UK investors to be offered £2.5bn BT stake

By John Authers in London

SMALL investors in the UK will be offered around £2.5bn (\$4.3bn) worth of shares in BT, formerly British Telecom, when the UK government sells part of its remaining 49 per cent stake later this year. The portion for retail inves-

tors will be half the total stake on sale, with the other half auctioned to UK investment institutions and international investors. According to the latest planning assumptions, the government will sell half of its

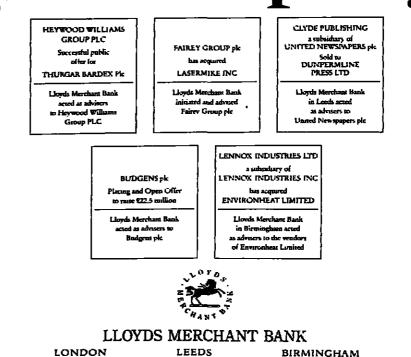
shares in the company.

The auction will break with
the system for previous government flotations by not
guaranteeing UK institutions a specific percentage of shares. With no fixed ratios it is theoretically possible for all £2.5bn to be sold to institutions outside the UK. However, this is unlikely as British firms will need to maintain some weighting in BT.
The new system adapted

experience from the US, and took note of the tender for stock in the electricity generators, National Power and PowerGen, earlier this year. Government advisers say the new system should maximeds by assessing institutional demand on a "level playing field"; avoid an extreme leap in price immediately after the shares start trading: and shorten the official launch period as demand will be established in advance. It should also act as a "com fort" to small shareholders in the UK as the price they pay will be set at a discount to the going rate for institutional

The discount formula will be

While most banks haven't done a great deal this summer, we've done plenty.



COMPANIES AND FINANCE

Worries over Maxwell demerger

By Bronwen Maddox

PLANS FOR the demerger of moment", according to promi-Maxwell Communication Corporation need to progress by the end of the year, or terms for the repayment of the group's debt might have to be renegotiated early in 1992, according to observers of the

company in London.

There is also growing scepticism among US investors about the success of a flotation of Macmillan and Official Airlines Guide, the largest of the group's US businesses.

The Max Factor has crossed the Atlantic and a flotation is scarcely an option at the

nent Wall Street investors. Several US institutions, who declined to be named, have said that the falls in the share price of Mirror Group Newspapers, Mr Robert Maxwell's second listed publishing company, from its May flotation of 125p to its present 90p had taken

"We took a bath on the Mirror" said one fund manager who added that the impact on quarterly performance tables, rather than the BBC investigation last week or the subsequent press comment, was

away US appetite for the stock.

responsible for their present lack of enthusiasm.

Earlier this month at the AGM of MCC, Mr Maxwell repeated his intention to demerge the US businesses, 90 per cent of the group's operat-ing profit, "in order to increase shareholder value".

The move could also help reduce the group's debt, now believed to be \$1.35bn. However one leading Bostonbased media analyst said "no way would MCC's US businesses even get a premium to the US market, which is now trading on a multiple of 15-16

times 1993 earnings. Macmillan is mainly a book publisher, so it's not a great play on the upturn in advertising."

A demerger by selling the businesses to another company is also an option being examined, but US bankers have commented that a flotation would be much cleaner and

However, Maxwell observers have commented that August meetings of MCC's bankers assumed a demerger would go ahead and they would want an alternative plan quickly if that looked unlikely.

rose from 177.1p to 226.3p. A

1.34p (1.25p) from gross revenue of £3.28m (£3.15m). The

interim dividend is raised to

0.75p (0.55p) to reduce disparity; the final was expected to

FI Group selling

shares to workers

The 319 employees and 690 self-employed associates of FI Group, a privately held com-

puting services concern, are being given the chance to buy

shares in the company.

Between 400,000 and 600,000 shares are on offer at £2.70

each, and if the maximum is sold the company will be capi-talised at £6,2m. Minimum sub-

scription by a member of the workforce will be for 50 shares with a value of £135. The notional gross dividend yield is

If is unusual because it is staffed by computer program-mers and systems analysts who work chiefly from home.

£10m offer for DC

DC Gardner, a financial train-

ing and consulting concern,

said it had received a £10m unsolicited conditional offer

from Capefield for its banking

training and outplacement divisions. The board will meet

early this week to consider the

Gardner divisions

be held at 1p.

7.4 per cent.

Earnings per share were

year earlier it was 217.7p.

NEWS DIGEST

Associated Nursing £2m in red

TAKING INTO account discontinued businesses, Asso-ciated Nursing Services, the USM-quoted healthcare group, turned down from a £1.86m

profit to a £2.70m loss in the year ended March 30 1991. Turnover increased to 16.6m (£11.1m), while losses per share were 37.9p (earnings 34.7p). There is no final dividend leav-

There is no man dynamic near-ing the total at 1p (3p).

This year's loss comprised continuing profit £486,000 after exceptional charges £172,000, and discontinued loss £2.55m including exceptionals £132,000. The 1989-90 figures were boosted by £1.34m from the sale of two nursing homes.

Below-the-line charges of £1.37m related to the marking homes. £1.87m related to the cessation of operations at Weston and Ross, Sensa Design and Mar-keting, Topak Healthcare, and at the 19 per cent owned Vac-

William Jacks goes further into loss

With the recession in motor vehicle retailing especially pronounced at the top end of the market, William Jacks saw its pre-tax loss for the half year ended July 31 1991 increased from £21,000 to £601,000. The group sells Mercedes,

Jaguar, BMW, Saab and Rover cars. Turnover fell to \$21.2m (£23.3m). Unit sales of new and used cars were further reduced from last year, and margins contracted. Losses per share came to 5.56p (0.2p).

BET head surprised by departure reports

Mr Nicholas Wills, chairman of industrial services group BET, said yesterday that reports of his imminent departure had taken him by surprise and he believed they were "unfounded



Nicholas Wills: "Fil be there on Monday morning"

Mr Wills, just arrived back from a trip to the US, said 'Yes, I'll be there on Monday morning," but declined to com-ment further. A spokesman said it was the company's policy not to comment on

Reports yesterday morning

suggested that Mr Wills and other senior directors would leave the group soon as part of a strategic review by the company's new chief exec-utive Mr John Clark.

The 90-day review, ending this week, "is intended to establish the right mix of businesses and right level of cash generation," according to the

Mr Clark replaced Mr Wills as chief executive in April following City criticism of the group's trading performance.

Goodwin benefits from efficiency

On marginally lower turnover, Goodwin lifted its pre-tax

Goodwin lifted its pre-tax profit by over 8 per cent in the year ended April 30 1991, from £416,000 to £451,000.

The higher profit was achieved by production efficiency coupled with new plant installations. Current order back was detectionating but in anticipation of an increased market share the dividend is

being raised to 0.63p (0.6p).

The group, which operates as a mechanical and refractory engineer and metal processor, produced turnover of £14.19m (£14.2m). Earnings per share were up 1p to 4.6p.

F&C Pacific net assets increase

Over the six months ended July 31 1991 net asset value of F&C Pacific investment Trust eliminates Panfida's borrowings

By Roland Rudd

PANFIDA, the heavilyborrowed retailing group, has announced a refinancing agreement with its three principal non-bank lenders which include Mr Rupert Murdoch's News International.

The lenders will be given 132m shares at 25p in exchange for eliminating Pan-fida's £49m borrowings; providing £5m by way of an interest-free five year loan facility, waiving future interest amounting to £11m and issu-ing a £5m five year convert ble non-interest bearing

Panfida's shares closed on Friday up 'sp at 6p.

Mr Peter Wenzel, deputy
chairman of Paufida, said the refinancing would enable the group to concentrate its resources on the Martin newsagents chain, which made an operating profit of £5.2m, up from £949,000, for the half year to December. Overall, the group incurred a pre-tax loss of £3.8m (£7.1m).

Holders of the convertible notes issued in Australia three years ago will be offered one 25p share for each note which was worth A\$1.30. A majority of note holders have indicated

they will support the plan.
Agreement has been reached
with one of the lenders to TOC Retail, the US subsidiary, for the release of Panfida's \$10m (£5.8m) liability in relation to TOC's indebtedness, in exchange for 12m shares at

The refinancing is condi-tional on approval of share-holders, holders of the notes and the consent of various

Panfida's capital will be increased to around 260m shares. News International's stake will be reduced from 31 to 26 per cent.

The other two hig non-bank lenders, Elders Finance group and GFA International become significant shareholders for the first time, taking 23 and 13 per cent of the new shareholding.

Refinancing | Private votes crucial | in Molins' battle to stay independent

MOLINS, maker of specialised machinery for the tobacco industry, could know as early as this morning whether it has lost its 15-month battle for its independence against the US financial conglomerate Leucadia National Corp.

It will today count proxies for tomorrow's EGM at Gla-zier's Hall in the City, where Leucadia, a 48.5 per cent share-holder, will try for a second time to gain board control by replacing three Molins direc-tors with six of its own. Institutions hold 50 per cent

of Molins, and the support of the private shareholders, with 1.5 per cent, will be crucial. Shareholders last year rejected Leucadia's proposal to reshuffle directors after the failure of its May 1990 bid for

the company.

Molins has claimed that Leucadia is trying to gain control without making a full offer to shareholders at the current price of 351p. Should Leucadia be success-

ful, Molins will be the third company in which it has bought a large minority stake and then won board control.

In July Leucadia announced that it had been unable to agree terms for a merger with PHLCorp, the US trading stamps business in which it

stamps business in which it holds a 67 per cent stake. In February 1990 it finally took over Brae, the US rail car leasing company, five years after acquiring a 41 per cent stake and gaining board control.

Even if Leucadia's proposals are rejected, it is still allowed to buy a further 2 per cent a year, which could give it a 50.5 per cent majority shareholding per cent majority shareholding

next August.
At the EGM tomorrow
Molins's own resolution will
ask for shareholder permission
to increase its capital by about
27 per cent at the management's discretion. If the company found a suitable acquisition for which shares were issued, it could dilute Leuca-

Polly Peck administrators under fire By Richard Waters

A US investment company which has bid \$530m for PPI Del Monte, the fresh fruit bus-ness of Polly Peck International, yesterday accused the group's administrators of turn-ing their back on an offer at the expense of Polly Peck's

than capital Partners said it had been told last week by Mr Michael Jordan, the lead administrator, that he did not intend to invite offers for Del Monts. The company, which has put together finance from a number of US investors, said. Mr Jordan had been more welcoming of its first sepresch six weeks ago. The refusal now came despite a possible increase in the bid, subject to being allowed access to Del Monte to complete due diligence work, Union said.

Last week the PPI administrators sold a controlling interest in Sansui, the Far Eastern consumer electronics company, to Grande Holdings of Hong Kong, Grande will inject \$50m. Monte. The company, which

Kong Grande will inject \$50m (228.7m) working capital, help-ing to resolve a mounting cash crists in the company.

	CROSS BORDED	HAA DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cragnotti & Partners (Luxembourg)	JA/Mont (US/Italy)	Paper goods	£478m	Buying Montedison's half
Merrill Lynch Capital Partners (US)	Beatrice Foods (Canada)	Dairy Products	£241m	LBO exit by Onek
Polygram (Holland)	Propaganda Films (US)/ Working Title (UK)	Film Production	£115m	Philips strengthens film business
Williams Holdings (UK)	Fireya (US)	Control products	£35m	Agreed cash deal
Consortium (International)	Ortopedia (Germany)	Wheelchairs	£33m	Debt-driven sale
Outokumpu (Finland)	Mooney Chemicals (US)	Metal chemicals	£25m	Strategic US foothold
Nittetsu Shoji (Japan)	ANI Komatsu (Australia)	Engineering	223m	Non-core divestment
Group of investors (Greece/Cyprus/USSR)	Olympic Lottery (JV)	Gambling	£7m	USSR lottery venture
Porter Chadburn (UK)	Ipop (US)	Labelling	£3,5m max	PC hungry for more
Gambro (Sweden)/Shimizu Pharmaceutical (Japan)	7.0	Phermaceuticals	D/B	Gambro expends Јарал operation

This advertisement is issued in compliance with the Regulations of the Council of the Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an offer or invitation to the public to subscribe for or purchase any securities in the Company. The Council of the London Stock Exchange has granted permission for all the 23,124,477 ordinary shares (other than the 125,000 "AFV shares"), (the "Shares"), to be admitted to the Official List and dealings in the Shares are expected to commence on 30 September, 1991.

PETROFINA

(Incorporated with limited liability in Belgium and registered in Brussels under registration number R.C.Bruxelles 227 957)



Introduction to The London Stock Exchange

The Petrofina Group has share capital of 43,286,961,756 Belgian Francs which is divided into 23,124,477 ordinary shares and 125,000 AFV shares, all with no par value. In addition, the Board of Directors has the authority, until 11 June, 1993, to issue Shares up to a value of 8,904,277,500 Belgian francs, currently represented by a maximum of 4,782,103 Shares.

Petrofina is the Belgian parent company of a large number of subsidiaries and affiliates which are engaged in all aspects of the petroleum industry: oil and gas exploration, development and production, refining, marketing and transportation, petrochemicals and research. Petrofina is the 14th largest quoted integrated oil and gas company in the world, on the basis of 1990 consolidated net income and has a presence in over 35 countries.

The listing particulars relating to the above mentioned Shares are included in the Companies' Fiche Service available from the London Stock Exchange. Copies of the Listing Particulars may be obtained during usual business hours up to and including 2 October, 1991 from the Company Announcements Office of the London Stock Exchange, 46-50 Finsbury Square, London EC2A IDD and at least up to and including 14 October, 1991 from:

Barclays de Zoete Wedd Limited Ebbgate House 2 Swan Lane London EC4R 3TS

Petrofina S.A. 52 rue de l'Industrie B-1040 Bruxelles

de Zoete & Bevan Limited Ebbgate House 2 Swan Lane London EC4R 3TS

The UK Paying Agent is Barclays Bank PLC, Stock Exchange Services Department, 168 Fenchurel Street, London EC3P 3HP.

30 September, 1991

U.S.\$200,000,000

CORPORATION N.V. (Incorporated with limited liability in the Netherla GUARANTEED FLOATING RATE SUBORDINATED NOTES DUE 1994 Guaranteed on a Subordinated basis by

CONTINENTAL ILLINOIS OVERSEAS FINANCE



In occardance with the provisions of the Notes and the Reference Agency Agreement between Confinental Illinois Overseas Finance Corporation N.V. and Citibank, N.A., dated June 24, 1982, notice is hereby given that the Rate of interest has been fived at 5.6875% p.a. and that the interest payable on the relevant Interest Payment Date December 31, 1991 against Coupon No. 38 will be U.S.\$145.35 in respect of U.S.\$10,000 nominal amount of the Notes. September 30, 1991, London By: Olibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

THE UNITED MEXICAN STATES

US\$2,556,093,000 Collateralized floating rate bond due 2008

In accordance with the terms and conditions of the bonds, the rate of interest for the interest period 30 September, 1991 to 31 March, 1992 has been fixed at 7.3125% per annum. Interest payable on 31 March, 1992 will be US\$9,292.97 on each US\$250,000 principal amount of

Agent: Morgan Guaranty Trust Company JPMorgan

CMB Packaging S.A.

a "Société Anonyme" incorporated with limited liability in the Republic of France Share Capital: FF 807 084 390

Head Office: 88, rue du Dôme - 92100 Boulogne sur Seine (France)

PRELIMINARY NOTICE OF MEETINGS The shareholders are hereby informed that a General Meeting will shortly be called with the following agunda:

Extraordinary General Meeting

Presentation of the Report of the Board of Directors and the Statutory Auditors' Special Report.
Change of the Company's system of management the Board of Directors will be replaced by a Board of Management and a Supervisory Board; related changes to the Articles of Association.
Definition of the powers of the Board of Management and the Supervisory Board with respect to the closing of the 1991 accounts.
Transfer to the Board of Management of the financial authorisations initially granted by the Extraordinary General Meeting to the Board of Directors, authorisation to the Board of Management to grant stock options for future shares.
Assignment of authority to make the "déclaration de régularité et de conformals" requested by the law.

Ordinary General Meeting Taking note of the expiration of the terms of office of the members of the Board of Directors, nomination of the first members of the Supervisory Board.

Allocation of 1991 attendance tees to the Board of Directors and the Supervisory Soard. Determination of the total sunsual atten-

to be paid to the Supervisory Board in 1992 and after.

Transfer to Board of Management of the financial authorisations granted by the Ordinary General Meeting to the Board of Directors. To be entitled to attend, to be represented or to vote by correspondence at this Meeting:

holders of registered shares must be recorded in the Company's share register at least five days before the date of the Meeting.
 holders of bears shares must depost at DEMACHY WORMS & Ce (223, no Saint Honoré - 75001 PARIS France) at least 5 days before
the date of the Meeting a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the

Qualifying shareholders wishing to have draft resolutions put on the agencia for the above Meeting must send their request, in the form fald down by law, to the Company's head office by registered letter by 11 October 1991.

Copies of draft of the resolutions and articles of Association to be submitted to the shareholders at the Meetings may be obtained from NATIONAL WESTIMPNSTER BANK P.O. Box Nº 62, Cardon House, Redolfts Way Bristof \$899 7NH.

Comprehensive analysis

A Financial Times magazine Available at newsagents price £3.50

SOCIETE GENERALE

A French "Société Anonyme" with share capital of 2,144,738,740 French Francs Registered Office: 29 Rooleward Hauszmann - 75009 Paris Registered with the R.C.S. of Paris moder number: B 532 120 22 SIRET Number: 532 120 222/19467 Notice to the holders of French Francs 500,800,800 Subordinated Floating Rais Notes Due 2801 issued on 36th May 1991 (SICOVAM code no. 14481

Notice is hearby given to the helders of the French Frence 500,000,000 Subtrafinated Pleating Roby Notes the 2001 instead entside Frenço on 30th May 1991 (SECOVAM code Nor 14481) by Societal Générale, that they are called to a General Monting to be held on Thursday 17th October, 1991, at 5 p.m. at 37 are de Rocker, 75608 Peris (Frence) for the purpose of considering the following agentic: medification of Article "Whiteleting Traces" of the Terms and Conditions of the Notes in crier to procine that in case of redesprises of the Notes for Termina mesons, it is measurey to obtain prior approval of the "Secretarist Clinicals de la Commission Benevies". ion on the method of recording the documents of the Gos

All Netschelders have the right to observe the pressing or, publicat to the legal requirements, he represented by a purey. Adminden cards and pureles must be requested at the registered office of Society Office by a pureless the office of Society Office has the office of the Paylog Agents at least five days before the date fixed for the

CITICORPO

Subordinated Floating Rate Notes Due November 27, 2035
Notice is hereby given that the Rate of Interest has been fixed at 5.6% in respect of the Original Notes and 5.6875% in respect of the Enhancement Notes, and that the interest populae on the relevant Interest Payment Date October 31, 1991 against Coupon No. 72 in respect of US\$10,000 nominal of the Notes will be US\$48.22 in respect of the Original Notes and US\$48.98 in respect of the Enhancement Notes. September 30, 1991, London By: Citibank, N.A. (CSS) Dept.), Agent Bonk

svermer

US\$100,000,000 Floating rate participation certificates due 1992 issued by Morgan Guaranty GmbH for the purpose of making a loan to Istituto per lo Sviluppo Economico dell'Italia Meridionale (o sunnory body of the Republic of Italy incorporated under Law Nn. 298 of April 11, 1953)

in accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determine Period 30 September, 1991 to 31 October, 1991 has been fixed at 5.6875% per annum. Interest accrued for the above period and payable on 31 US\$48.98 per US\$10,000

Agent: Morgan Guaranty Trust Company JPMorgan.

Mezzanine Capital Corporation Limited

Notice of Annual General Meeting OTICE IS HEREBY GIVEN to the holders of the BOPs that M

Brick (Guardes) Lichted ("the Depository") him received notice from the Company the Angust Gensel Meeting of the marchain of the Company will be half at Capital toe Building, Bath Street, St., Helber, Jersey Channel blands or Building State Orbits, at 11 10th as for the purpose of popularized and state on the Bildington matters.

To receive and consider the Accounts and Balance Speet and Report and Auditors for the year ended Stat May. 1891.

To declare a final divident of USSCA7004 per Participating Findeer Share to be payable as from Piding. 28th Chinhat, 1891.

To to-appoint Meens. Price Welschoose as Auditors of the Company the Directors to fix their remanagement. see as Auditors of the Company and to sustained

As Special Business, to consider and If thought fit, pose the following Fin vehicle will be proposed as ordinary resolutions:-

As Special Business, to consider and if flooght fit, peer the following Resolutions which will be proposed an endinstry resolutions:

"That the investment made by the Company on 3nd September, 1991 in Cryanon Holdings into by very of the acquisition of 950.00 Company Serves of USB775 seet in 1902 and 1903 an

all General Meeting.

I holders have the right to eltered and speak at the Amount General Meeting but not set to use thereat. SOR holders may however impact the Depository as to size on their behalf of the voting rights stributable to the starce evidenced by the

SOFs which they hold.

Instructions as to voting must be given either to the Depository of to a Proving Agent, Codel or Euroclear (a "Paying Agent," is writing not later than Thursday, 17th Colober, 18th and must be accompanied by the SOF in respect of the Strees for which such instructions are given. The Ospository or relevant Paying Agent must be settled that such SOF is held in a biocised account to its order until after Tuesday 28th October, 18th. Voting instruction forms may be obtained from any Paying Agent.

On deposit of a SOF with or to the cader of a Paying Agent the holder thereof target obtain a specify which will entitle thin to attend and appear at the Annual Genteral Meeting.

BORs deposited with will entitle thin to attend and appear at the Annual Genteral Meeting.

BORs deposited with will entitle thin to attend and appear at the Annual Genteral Meeting.

CO of (8) the surrender to the Paying Agent, not less than 48 bours before the time for which such meeting or any adjournment thereof is covered on the selected or the SOR or SOF accounting with its agreement to be bait to its order. The Paying Agent shall promptly give notice to the Depository of such commoder or release.

Copies of the Company's Annual Report may be obtained from soy at the Paying

Copies of the Company's Annual Report may be obtained from any of the Paylog. Agents leted below and Europies and Cedial. Depositary and Principal Paying Agent ulachares Henover Test Bank, Guerney) Linded, Albert House, PO Box 428, South Esphanda, St. Peter Part, Guerney, Chempi Islanda

Phyling Agents
Barriers Trust Lusembourg S.A.,
14 Boolevard Picosevalt,
knibourg, Grand Duchy of Lusembourg Menutecturers Henover Trust Company, The Adelphi, John Adern Street, London WC2N 6417

St. Peter Port, Guernary Dated 90th September, 1991

Guaranty Trust Company of New York, Mos Vendome, 75007 Parts, Prance rey's Limited Depositor



BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

(Incorporated with limited Robility in Austria)

U.S.\$100,000,000 Subordinated Floating Rate Notes due 2000 in accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of interest has been fixed at 5.75% per annum and that the interest payable on the relevant Interest Payment Date, March 30, 1992 against Coupon No. 14 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$290.69.

September 30, 1991, London By: Chibank, N.A. (CSSI Dept.), Agent Bank CITIBANCO

COMPANIES AND FINANCE

Ferruzzi Finanziaria slides to L83bn at interim stage

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the financial bolding cincern controlling the Ferruz-zi-Montedison group of compa-nies, added to a bleak first-half contribute season for Italy's reporting season for Italy's leading companies by announcing a slide in group consoli-dated profits after minority interests to L83bn (\$66m) from "LIBODA last year.

Lisobn last year.

Sales rose slightly to 18,631bn from L8,352bn in the first six months of the year.

Despite the profits fall, the group said it expected "moderately positive results" for the

year as a whole.
"Ferfin said the current out-look for the dividend suggested

the possibility of a payout "substantially in line with the previous year".

The group attributed its profits decline in the first half to the difficulties at many of its subsidiaries, especially the Montecatini chemicals opera-tion, which has suffered from declining margins on many plastics products and from the tougher conditions facing the world chemicals industry.

Ferlin implied that rational-isation at Montecatini would affect mainstream and white-collar jobs at many of its operating subsidiaries. Further cuts could come through the continuing reorganisation fol-

lowing the decision last year to merge Montedison, which con-trols Montecatini, with the agro-industrial activities formerly carried out by Ferruzzi Agricola Finanziaria

Net group indebtedness stood at L7,874bn, which was L1,107bn lower than at the same time last year. However, the figure was L1,209bn above that at end-beember 1999 that at end-December 1990.

Ferfin ascribed the increase partly to changes in the dollar-liza exchange rate. Debt had also risen owing to the tradi-tional concentration of payments in the first half of the year in the the agro-industrial business.

Finns to launch Ecu300m deal

By Tracy Corrigan

AM MEA TEATS

Limited

NAME OF TAXABLE PARTY.

The a set & resolute General Media

MUNICIPALITY Finance, the financing arm of Finland's "legal government sector, plans to make its debut in the Euro-fond market this week with an issue that may signal a new source of supply of Ecu-denominated paper.

Following the linkage of several Scandinavian currencies to the Ecu this year, and given the high relative interest rates in all Scandinavian markets, borrowers from the region nsing the Ecu market are now able to benefit from lower interest rate payments with the virtual elimination of cur-

rency exposure.
Otherwise, the supply of paper in the Ecu bond market

is likely to be lower than expected during the last quarter of 1991, in the wake of the European Bank for Reconstruction and Development's highly successful Ecu500m deal last

The Kingdom of Spain, which had been preparing to launch an Eculbn deal, has put its foreign borrowing on hold, while Belgium, which had also been eyeing the Ecu market, has raised funds in dollars instead

Municipality Finance plans to issue Ecu300m of fiveor seven-year bonds. The deal, arranged by Goldman Sachs, will be swapped into floating-rate Ecu, and then

lent in small portions to individual municipalities.

The deal will be guaranteed by Local Government Pensions, an agency of the Repub-lic of Finland. Municipality Finance's long-term debt is rated triple-A by Standard & Poor's and double-A1 by Moody's. The borrower plans to raise about Eculbn in 1992. in addition to domestic debt.

Other Scandinavian borrowers are interested in the market. However, for the moment, none of the sovereign borrow-ers are in need of funds, and the Ecu market may not offer sufficient arbitrage for aggressive agencies like Swedish

- Richard Waters.

Mr Moore, who has said he will stand down as MP for Croydon Central at the next election, returns to finance after a 17-year political career. artire Capital Copyri Before moving to Westminster in 1974, he had been chairman of Dean Witter International,

> social services after the 1987 general election, before ill health helped to end his minis-

> At the start of next year, he is to take over as chairman of Crédit Suisse Asset Manage ment, which has £3.5bn under management for individuals and investment institutions. The business was created out of the former stockbroker

AUSTRALIA's Companies and

Securities Committee, a key

government advisory body, calls in a report published today for a significant tighten-

ing of corporate disclosure leg-

The report follows a two-month investigation ordered by Mr Michael Duffy, the attor-

ney general as part of prepara-tion for a wide-ranging corpo-rate regulations Bill to be tabled in parliament early next

The report supports the system of "continuous disclosure" introduced earlier this year by the Australian Stock Exchange (ASX), which requires listed

December 1983 - too

decade ago when they ran Paribas, the French banking

result in Swiss Bank Corporation becoming a minority holder in part of Mr Moussa's private investment and financial services group, Pallas. Mr Eskenazi is to take a 25

At the same time, Pallas is to

Call for tougher corporate laws

companies to inform the mar-

ket of any "material informa-

However, it says the continu-

ous disclosure rules should be extended to private companies with gross assets of more than

A\$10m (US\$8m), and to govern-

ment-owned corporations such as Australia Telecom and

Unlisted companies would

have to file detailed interim

and annual reports with the Australian Securities Commis-

sion (ASC), the corporate

watchdog, and inform it of any

transactions or events that

could affect financial or opera-

PERFORMANCE INDEX

Last week

6 20

155 62

153 ±4

tional prospects.

6 24

NRI TOKYO BOND INDEX

163 06

80 6

Banque Pallas France, with Banque Stern, a merchant bank acquired by SBC in 1988. The new bank, to be known as Banque Pallas Stern, will be majority-owned by Pallas, with SBC holding a 35 per cent

significant backer of Comipar, with a fifth of the shares.

company, a year ago.

The report says an extension

of quarterly reporting, which is currently limited to listed min-

ing companies, should be kept under review, but was "not

The committee's recommen-

dations are expected to be

included in the forthcoming Bill, which will also incorpo-

rate earlier recommendations

on the law on directors' responsibilities and inter-com-

Moves to tighten the law fol-

low unease among investors

pany financial transactions.

warranted at this stage".

he said

over and contribution to earnthe same 1990 period.

year should be in line with projections.

Mr Ian Ramsay, the committee's deputy director, said con-tinuous reporting would make quarterly reporting unnecessary. "Once we have an effec-tively enforced continuous disname of TV closure regime up and running, the attractiveness of quarterly reporting diminishes rapidly." subsidiary

THE WESTPAC Banking

companies and individuals during the late 1980s. Several businessmen are facing criminal charges following bane in July this year. ASC investigations, including Mr Alan Bond, former chair-Banking Corp. its subsidiary
or the Channel Ten Network
had any financial interest in
Television Australia Satellite
Systems Ltd." the bank said. man of Bond Corporation Holdings, and Mr Christopher Skase, former head of the Qin-tex media and leisure group.

Issue of up to U.S. \$360,000,000 **Elders IXI. Treasury** (Australia) Limited Subordinated Guaranteed loating Rate Notes due 1995 **Mrs Fields** Guaranteed as to Principal and Interest by **Elders IXL Limited**

Trade in

London's unlisted securities

The share suspension would allow the stock exchange to

determine whether those

transactions should have been

and accounts, Mrs Fields and La Petite have licensing agree-

ments to sell each others

products. Mrs Fields earned

royalties of \$310,000 and

paid La Petite an advance non-

owed to La Petite.

between them.

\$661,000 in 1990 and 1989 and

efundable royalty of \$5m. A further maximum \$3m may be

Mrs Fields and Fields Soft-

ware also have computer soft-

ware licensing agreements

However, the group stressed that the suspension did not relate to the trading situation

The financially-stretched

group, which is primarily a US business but is listed only in

London, has faced a difficult environment and reported a

pre-tax loss of \$8.79m last

helps Moulinex

MOULINEX, the French

household electrical appli-

ances maker, has reported a consolidated net profit of FFr35m (\$6.14m) in the first

six months of the year,

compared with a loss of FFr25m in the same period a

from Paris.
Consolidated revenue rose

by 46 per cent, largely

out of the red

Krups' input

or the finances of Mr Fields.

According to the 1990 report

reported to shareholders.

shares

market (USM).

For the interest period September 30, 1991 to Merch 31, 1992 the Notes will carry an interest rate of 6.4875% per annum. The interest payable on the relevant interest payment date, March 31, 1992 will be U.S. \$3,297.81 per U.S. \$100,000 Nominal Amount. suspended By Michiyo Nakamoto DEALINGS in shares of Mrs Fields, the US-based cookie shop, have been suspended on

By: The Chase Manhatles Bank, N.A. Lendon, Agent Bank September 30, 1991

The move follows transac-tions between the company US \$200,000,000 and its affiliates, which are owned by Mr Randall Fields and Mrs Debbi Fields, respec-tively chairman and chief **Rothschilds Continuation** Finance B.V. Primary Capital Undated Guaranteed Floating Rate Notes

For the period from September 30, 1991 to March 30, 1992 the Notes will carry an interest rate of 66-5 per annum with executive officer.
The shares have been suspended at 10p. At the height of its popularity, the one-time star of the USM rose an interest rate of 65-7 per annum with an interest amount of US \$306.49 per US \$10,000 Note. The relevant interest be March 30, 1992, to a peak of 266p in June 1987. Transactions at the centre of

Agent Bank: Banque Paribes Luxembor Société Anonyme discussions with the stock exchange involve those between the company and its affiliates, mainly La Petite

Boulangerie and Fields Soft-**BANQUE NATIONALE** ware, both of which are pri-vately owned by the Fields. DE PARIS S.A. & CO (DEUTSCHLAND) OHG Some of the transactions USD 290,900,000 Floating Rate Subordina Loan due 2900 to appearing in the accounts were not known to shareholders prior to their publication.

THE HOKURIKU BANK LTD Notice is hereby given that the rate of interest for the period from September 30th, 1991 to December 30th, 1991 has been fixed at 5.85 per cent. The coupon amount due for this period is USD 3,696.88 per USD 250,000 denomination and is payable on the Interest payment date December 30th, 1981. The Fiscal Agent Banque Nationale de Paris

(Luxembourg) S.A.

Bankers Trust Company, London

HSBC Holdings plc Group Head Office: I Queen's Road Central, Hong Kong Registered Office: 99 Bishopsgate, London, EC2P 2LA, United Kingdon

> Notice to Former Shareholders of The Hongkong and Shanghai Banking Corporation Limited

Pursuant to a Scheme of Arrangement between The Hongkong and Shanghai Banking Corporation Limited ('HSBC') and its shareholders ('the Scheme'), which became effective on 2 April 1991, HSBC Holdings plc ('HSBC Holdings') acquired the entire issued share capital of HSBC. One Ordinary Share of HK\$10 in HSBC Holdings was issued in exchange for every four shares of HK\$2.50 each in HSBC. Certificates for the Ordinary Shares in HSBC Holdings were mailed to shareholders of HSBC Holdings on 6 April 1991.

The Ordinary Shares in HSBC Holdings which would otherwise have been allotted to HSBC shareholders who were 'untraceable' (as defined in the Scheme) were allotted under the terms of the Scheme to Courts & Co (Jersey) Limited (formerly NatWest International Trust Corporation (Jersey) Limited) ('the Trustee') and are to be held by the Trustee on the terms of a Trust Deed dated 1 February 1991 between HSBC Holdings and the Trustee.

Any person who believes he is entitled to HSBC Holdings shares issued in exchange for HSBC shares under the Scheme (and any other property held by the Trustee with respect to or derived from such shares) and who has not received the relevant share certificates should address a claim to the Exchange Agent, Central Registration Hong Kong Limited, Hopewell Centre, 19th Floor, 183 Queen's Road East, Hong Kong (who has been appointed by the Trustee for the purpose of receiving and processing such claims) enclosing (wherever possible) certificates for the appropriate number of HSBC shares

For and on behalf of HSBC Holdings plc R G Barber

Agent Bank

30 September 1991

tertelonal Price for Plant Prices for Tracing Tracing on 1508.91 on \$2.00.01

MP to head fund business

MR JOHN Moore, the man once tipped to succeed Mrs Thatcher as leader of the Conservative party, is to become executive chairman of Crédit Suisse's fund management business in London, writes

part of the US investment

He was secretary of state for

Buckmaster & Moore.

Top French financiers Crédit Suisse forge banking alliance

By Richard Waters

TWO of France's best-known financiers, Mr Pierre Moussa and Mr Gérard Eskenazi, have formed an alliance, rekindling their close association of a

group.

The alignment will also

per cent stake in Pallas Holdings, which runs the group's financial services businesses. through his investment vehicle, Compagnie Indus-trielle à Paris. Pallas's investments include the majority stake in Cresvale, a securities

house. He will also take a 20 per cent stake in Pallas Invest, the investment holding company built up by Mr Moussa and Pallas's president. Mr Peter Cas-

merge its small Paris-based

merchant banking subsidiary.

The new bank is also due to participate in a joint-venture corporate finance operation in France together with SBC and Mr Eskenazi's Comipar, said Mr Castenfelt. SBC is already a

The series of links was intended to bring together the investment skills of Pallas and Mr Eskenazi, and enable Pallas to benefit from Mr Rskenazi's deal-making skills, said Mr Castenfelt. Comipar is buying mainly existing shares in Pallas, rather than injecting new capital, though it has agreed to take over some of the group's

investments, he said. Mr Eskenazi quit the board of Pargesa, the Swiss holding

reflecting the acquisition in January of Krups, a German electrical appliance manufac-

Excluding sales from Krups, revenue would have risen by 16 per cent to FFr2.92bn in the first half of 1991, from FFr2.51bn a year

Moulinex said Krups's turnings in the first half of this year were similar to those of

The company said its revenue and profits for the whole

Westpac alters

group said yesterday it had changed the name of its subsidiary Television Australia to Television and Telecasters, Reuters reports from Sydney Westpac said the change fol-lowed an approach by Televi-sion Australia Satellite Systems regarding continuing confusion between its name and the Westpac subsidiary. Westpac's Television and

over the activities of some Telecasters acquired the Channel Ten television stations in Sydney, Melbourne and Bris-"At no time has Westpac

U.S. \$200,000,000

The Nippon Credit Bank

(Curação) Finance, N.V.

U.S. \$500,000,000

Subordinated Floating Rate Guaranteed Notes 2000

In accordance with the terms and conditions of the Notes, notice is hereby

given, that the interest rate for the Interest Period from 27th September

1991 to 27th December, 1991 is 5.80% per annum. The Coupon

Amount payable on the 27th December, 1991 in respect of each of U.S.

\$10,000 in principal amount of each note is U.S. \$146.61.



London Branch Floating Rate Depositary Receipts due 1993

that for the Interest Period from September 30, 1991 to March 31, 1992 the Notes will carry an Interest Rate of 55% per annum. The interest payable on the relevant interest payment date, March 31, 1002 will be U.S. \$285.94 for Notes in denominations of U.S. \$10,000 and U.S. \$2,859.38 for Notes in denominations of U.S.

By: The Chase Manhattan Bank, N.A. London, Agent Bank September 30, 1991

Wells Fargo & Company

US\$150,000,000 Floating rate subordinated notes due 1992

In accordance with the provisions of the notes, notice is hereby given that for the interest period 30 September, 1991 to 31 October, 1991 the notes will carry an interest rate of 5.60% per annum. Interest payable on the relevant interes payment date 31 October, 1991 will amount to US\$48.22 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

Wells Fargo & Company

000,000,000 P Subordinated floating rate capital notes due September 1997

In accordance with the rovisions of the notes, notice is hereby given that for the Interest Period 30 September, 1991 to 31 December, 1991 the notes will carry an Interest Rate of 5.625% per annum. Interest payable on the relevant interest payment date 31 December, 1991 will amount to US\$143.75 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

SUFFOLK

The FT proposes to publish this survey

October 29 1991. It will be of particular interest to the 54% of Chief Executives in Europes largest companies, who read the FT. If you want to reach this

important audience,

call Charles Ping on

071 873 3362.

arce: Chief Executives in

FT SURVEYS

US \$200,000,000

Banco di Roma Floating Rate Depositary Receipts due 1999

For the period from September 30, 1991 to December 30, 1991 the Notas will carry an interest rate of 52% per annum with interest rate of 524 per annum with an interest amount of US \$1,890.28 per US \$100,000 Note. The relevant interest payment date will be December 30, 1991.

Agent Bank: Banque Paribas Luxembo Société Anonyme

Posts products 15.60 to 15.60 15.80 15.69 19.69 19.59 19.59 19.59 19.58 19.58 20.01 23.77

Pool Purchase Printed 15.69 15.69 15.69 15.69 15.56 15

SCOTLAND INTERNATIONAL FINANCE B.V. US\$100,000,000

Guaranteed Floating Rate Notes 1992. For the six months from 30th September 1991 to 29th March 1992 inclusive the Notes will carry an interest rate of 511/6/8 per annum.

The relevant interest payment date will be 30th March 1992. Coupon 21 will be for US\$146.93.

Agent Bank

Barclays Bank PLC **Barclays Global Securities Services** Stock Exchange Services Department 168 Fenchurch Street London EC3P 3HP



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<u>Dividend Notice</u>

By resolution of a General Meeting of Shareholders held on September 23rd, 1991, a further dividend for the 1990 year of ECU 0.02 per share class "A" and per share class "B" is declared payable on or after October 9th, 1991, to registered shareholders on record on September 25th, 1991, and to holders of bearer shares upon presentation of coupon no 7. The shares are quoted exdividend as from October 2nd, 1991.

Payment Agent: CCF Luxembourg S.A. 8 Avenue Marie-Thérèse L-2132 Luxembourg

Source Nomura Rosagrch institute U.S. \$60,000,000 MANUFACTURERS " Manufacturers National Corporation (Incorporated in the State of Delaware) Subordinated Floating Rate Notes due September 1996 Issue Price 100% In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1991 to March 31, 1992 the Notes will carry an Interest Rate of 5.9375% per annum.

The interest payable on the relevant interest payment date, March 31, 1992 will be U.S. \$301.82 for Notes in denominations of U.S. \$10,000 and U.S. \$7,545.57 for Notes in denominations of U.S. \$200.000. U.S. \$250,000. By: The Chase Manhattan Sask, N.A. London, Agent Sank

September 30, 1991







Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th September, 1991 to 30th December, 1991, the Notes will bear interest at the rate of 5½ per cent. per annum. Coupon No. 21 will therefore be payable on 30th December, 1991, at the rate of USS6,635.42 from Notes of USS500,000 nominal and USS132.71 from Notes of USS10,000 nominal.

S. G. Warburg & Co. Ltd.



U.S.\$4,000,000,000



INTERNATIONAL CAPITAL MARKETS

IT had to happen. The gilt rally of the past two months came to a juddering halt last week, although many gilt practitio-ners still have high hopes for further gains towards the end

of the year.
Long-dated UK government
securities lost ground in terms of price by nearly a point dur-ing the week, while short-dated bonds were mainly stable. Consequently, yields for many types of gilts, particularly hose maturing around the turn of the century or later, rose for the first time in weeks. Typical was the benchmark 9 per cent Treasury bond payable in 2008. The yield for this was quoted on Friday night at 9.4 per cent, up from 9.2 per cent the week before.

One of the factors behind the change was the increased standing of the opposition Labour party in opinion polls. This shook the confidence of many in the City that the ruling Conservatives would be likely to win the next election. As many in the City equate a Labour government with calamity, that led to nervousness among cognoscenti. The main aspect, however, was that many investors came

UK gilts yields Restated at par (%) Sep 27, 1991 Sep 20, 1991

round to the view that gilts were looking overpriced compared with equivalent bonds issued by overseas govern-ments, and also with equity investments. Consequently, there was some switching away from the UK government securities and into other bonds, particularly US and Jap-

10 years 20

roe: Warburg Securities

The mood was evident dur-ing the Bank of England's auction of £1.5on of long-dated 9.5 per cent conversion stock, due in 2004. The auction was oversubscribed by a factor of 1.9.

significantly less than the two earlier auctions this financial year. There was some evidence that much of the buying activity was by market-makers, which dived into the auction with gusto, only to find purchasing interest from investors such as pension funds less than whole-hearted.

A comparison of gilt yields with those of other government bonds provides some justification for thinking that the UK government securities may have become too expensive, even bearing in mind the favourable short-term inflation outlook for the UK. According to figures from UBS Phillips & Drew, over the past month gilt yields at a 10-year maturity date have declined by 18 basis points (0.18 per cent), with the yield of a 10-year gilt at the end last week being quoted at around 9.8 per cent. The down-ward movement in yield over this period equates roughly

with a 2-point rise in price. Over the past month, gilts have performed better than the equivalent 10-year bonds issued in Germany and France, where yields have fallen by 2 basis points and 11 basis points respectively (to stand on Friday at 8.4 per cent and 8.8 per

Even with the outlook for lower interest rates in Britain being relatively favourable over the next year, thanks to the demand-squeezing effects of the recession and the expected impact of the exchange rate mechanism, it is by no means clear that the yield differential between UK bonds and German and French securities should narrow much more. (The clear winners in the bond world in terms of performance over the past month have been US and Japanese stocks, where yields have come down by 25 and 28 basis points respectively, mainly due to lower projections for economic

As for the future, many market-watchers believe that the fall in prices last week was just a temporary hiccup. Mr Roger Bootle, an economist at Midland Montagu, said: "The market has seen a slip, but because of the inflation outlook I remain generally positive about the trends for gilt prices over the next few months."

growth in both these coun-

Peter Marsh

Strong rally defies pull of uncertainty

market staged a strong rally in September, again defying the negative pull of political and economic uncertainty.

economic uncertainty.

Firstly, the country appeared to be heading for another period of political upheaval, with Mr Guilio Andreotti's government nearly brought down last week by divisions over a

1992 budget package. In addition, the OECD's annual survey of the Italian economy carried the stern warning that high inflation and unemployment and a stubbornly high budget deficit left it dangerously out of step with its main trading partners.

The consequences of not coming to grips with such intractable problems were underlined by the Dutch proposals on European monetary union, unveiled earlier in the month. This envisages a two-speed approach, with high-inflation economies being excluded from the initial

THE Italian government bond stages. With inflation remaining at nearly 7 per cent and a public-sector deficit amounting to 10.5 per cent of gross national product, Italy looks firmly in the slow lane.

Preparation of the 1992 budget took place against the background of such international pressures. Yet no agreement was reached last week. Further meetings were due to take place over the weekend in an effort to avoid an early general election and Italy's 51st

post-war government. This is an inauspicious background for a bond market rally. However bonds closed the week on a gross yield of 12.90, slightly stronger on the week and well up on the 13.40 seen at the end of August.

The market has been supported by factors other than domestic economic and political fundamentals. Structural reforms have encouraged international investors to commit

continues to offer the highest yields of any developed govern-ment bond market. • The Italian treasury

announced last week it had authorised withholding tax repayments amounting to L4.2bn - the first batch of claims processed under its new "streamlined" procedure for reclaiming tax.

News that repayments have been made prompted a halfpoint rally in 10-year bond prices on Monday. This may seem an extreme reaction, but the old system was so unreliable that many investors looked only at net yields, even though withholding tax could, in the-ory, be reclaimed.

The difference is substantial. At the government's L3,000bn

auction of 10-year bonds last week, which was twice oversubscribed, the net yield was 11.08 per cent.

 The Matif, the Paris futures exchange, and the London funds to the market, which International Financial

Futures Exchange both launched futures contracts on Italian government bonds dur-

Since the Liffe contract was launched on September 19, daily volume has averaged 11,000 contracts. In addition to generating publicity for Italian bonds, the contracts do appear to have increased trading activity in the cash market. While such structural

improvements will help to attract overseas cash, the strength of bond prices is rooted in a belief that inflation, interest rates and bond yields will gradually converge with those of the lower-yielding

On this basis, net yields could fall to 9 per cent by the end of 1992. A view among analysts is that with yields at such high levels the domestic political and economic situation is

Simon London

NEW ISSUE

This announcement annears as a matter of record only.

SEPTEMBER, 1991



Electric Power Development Co., Ltd.

(Dengen Kaihatsu Kabushiki Kaisha)

Tokyo, Japan

Can \$ 150,000,000

10% per cent. Guaranteed Bonds Due 2001

Irrevocably and unconditionally guaranteed as to payment of principal and interest by

JAPAN

Issue Price: 101.075 per cent.

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Bank of Tokyo Capital Markets Group

Banque Bruxelles Lambert S.A. Deutsche Bank Capital Markets Limited Daiwa Europe Limited

DKB International

Lehman Brothers International

Paribas Capital Markets Group

RBC Dominion Securities International

Sanwa International plc

Swiss Bank Corporation

S.G. Warburg Securities

Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

Yields show their first rise in weeks Treasuries surge as doubts deepen?

THE US Transury bond market rallied on Friday as investors appeared to be persuaded that the Federal Reserve will launch a further interest rate cut in October and the US economic recovery began looking increasingly weak.

Spurred by reports from a White House meeting that brought together the President. his chief economic advisers and Mr Alan Greenspan, chairman of the Federal Peserve. the benchmark 20-year Treasury long bond was marked *.
of a point higher on Friday to

1031.
The resulting yield of 7.817 per cent represented the lowest long-term interest level since March 1987, investors, how-ever, reckon this week's Open Market Committee will still decide to ease rates beyond the recent cuts in the discount and red funds rates.

The White House economic meeting on Friday, the second of the week, fuelled speculation that an election-conscious President Bush is putting pressure on the setters of monetary policy to help stimulate the economy with fresh interest cuts while asking bank regulators to go easy on the troubled banking industry so as to ease the nation's credit

crunch. One version of the meeting. provided by a Market News Service report that excited traders on Friday afternoon. had Mr Greenspan telling the President that the economy might be "fundamentally strong" but was "going into a 50 mile per hour headwind". For his part, Mr Bush is said to

US MONEY MARKET RATES (%) US BOND PRICES AND YIELDS (%)

Money supply: In the week ended September 16, M1 rose by \$2.4bn to \$866bn

have told Mr Greenspan he is concerned about the sluggish pace of economic recovery. Just in case Mr Greenspan didn't hear the President, the

jaw-boning continued as the Bush Administration's public relations machine was switched on full. "People are still having trou-

ble getting money, especially small business. We want to make sure that examiners are aware of this problem and that steps are being taken by the hanking industry to see that indeed they are not being overly restrictive on their loans," said Mr Marlin Fitzwater, the President's spokes-

The credit crunch, said Mr Robert Mosbacher, the Commerce Secretary and Bush confidante, "is not a minor problem. It's very serious". The latest macro-economic data seem to bear out Mr Bush's concerns about

Last week it was reported that the contraction in secondquarter GNP was revised down from a drop of 0.1 per cent to a negative 0.5 per cent. Durable goods orders for August fell by 3.8 per cent and growth of US consumer spending slowed almost to a standstill, declining by 0.2 per cent on an inflationadjusted basis.

The weakness of consumer spending is all-important in the US economy, where the consumer accounts for around two-thirds of all demand for

goods and services.

This week analysts are predicting more statistics indicative of a faltering recovery. Most significant will be this Friday's unemployment report for September, which is expected to show the unemployment rate rising from 6.8 to 6.9 or even 7 per cent - the peak level of last June.

The latest purchasing managers' survey, which could show a drop of at least one

56.6, is released today. On Wednesday, the new home sales data will probably reveal a 0.8 to 1.0 per cent fall and, on Thursday, the August factory contacts purposes will most orders numbers will most likely be down by 1.6 to 1.8 per

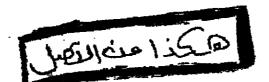
The US economy is bumping along in a most erratic way. Salomon Brothers noted on Friday that the smorgesbord, of figures suggests an uneven US economic performance. Add to this the Fed's concerns. about weak M2 growth, the continuing credit crunch and a confused picture of business; and consumer confidence. and a further rate cut by the Fed seems virtually

Mr Phillip Braverman of DKB Securities put mattery bluntly at the weekend, noting, that slackening economic activity calls the "recovery" into question. The US economy, Mr Braverman summed up, "remains mired in recre-

The Federal Reserve, of course, bates to cut interest, rates when it appears to be giving in to political pressure. So participants at last Friday's, White House meeting a meeting where interest rates would presumably have been a key topic - made a point of stressing that there was no discussion of interest rates. That diplomatic nicety, say the cynics of Wall Street, should make it easier for Mr Greenspan and his colleagues at the Fed to get on with the next rate cut.

Alan Friedman

FT/AIBD INTERNATIONAL BOND SERVICE 2 9 1/2 95 RAM CD8 1/2 96 S O/S FIR 0 18 S O/S FIR 11 5/6 93 S O/S FIR 11 5/6 93 7 1/4 94 9 1/2 96 E BK STIP AUST 9 1/4 93 OF 7 FIR 9 1/2 95 DB 6 1/2 W FILET OF FRANCE ? 1/406 FIRE AND 5 MG 65 / 1/248 JAPAN DEV SK 5 1/248 JAPAN DEV SK 5 1/249 MEW ZEAJ AND 4 7/849 OUE SEC NYDRO 5 08 WORLD BEAKE 5 03 195 "HEAT 91,245 497 200 00333896 00333896 495 05397, 03499 CERTILE 9293 IT COL MYDRO 1134 GS SSE MAI ELEMAT 1134 GS MPRELL SOUT 1044 GS MADAR PROTECT 7 1796 MCE 5 5/8 %... THE PROPERTY OF THE PARTY OF TH KFW INTL FIN 6 14 94 NIPPOR TEL & TEL 5 78 96 NORTH CHY BANK 4 7/8 94 EURWAY 5 18 95 OSTER KORTROLLBANK 7 94 MORRAS SERVICES NO. 13469. 191 -1



INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

ding deeper Bids spurt keeps bankers occupied

BANKERS are looking forward to a busy final quarter in the syndicated loans market, thanks to the recent spate of takeover bids in the UK.

ETR, the industrial conglomatic in the light proof the bidding recent

erate which is bidding nearly £1.5hn for engineering group Hawker Siddeley, revealed details of the debt financing for the deal last week.
Barclays, Credit Suisse First

Boston, and Hongkong and Shanghai Benking Corporation snangar balang of the state of rate (Libor) and commitment fees of 15 basis points. BTR has traditionally been

very aggressive with its banks. However, bankers believe that assuming the takeover goes ahead - the loan should be successfully syndicated, as BTR's relationship banks will be looking for additional business from the company.
Few details have emerged on

Hanson's plans for Beazer, following its recent £351m offer. However, most bankers expect that Hanson will be able to renegotiate Beazer's debts on more favourable terms. Beazer's total indebtedness

stood at £1.25bn in August. This included an unsecured term loan arranged in 1989, which last month was renegotiated and increased and is now a \$2.5bn master facility agreement maturing on December 31, 1995. NatWest and Citibank, the lead banks, are understood to have received a success fee of £16m for renegotiating the loan with the 108 participating hanks.

EUROMARKET TURNOVER (\$m)

US\$ Pres	Warter Straights 1,180.9 576.1 1,913.5	- 53.0 - 53.0 - 60	FR0 432.0 297.0	12,478.8 12,745.3
Other - Prev - Seconda USS Prev Other	3,659.4 17 Martist 20,502.6 20,624.0 50,503.3	140.9 764.9 1,466.B	9,354.5 7,739.0 3,847.4	9,294.5 20,300.3
USS Prer Other	13	64 E 76.3 3 23.2 3 20.7 8	1993.1 1993.1 1993.7	Total 54,029,4 53,102,6 136,415,4 127,120,9
Pres Week to	September 2		963.3	127,120.4

Originally, Beazer paid a margin of 125 basis points over Libor, but after the renegotiation the margin was raised to

tion the margin was raised to 175 basis points over Libor. Beazer agreed to pay the banks \$600m by the end of March 1992, using the proceeds of its planned flotation of its UK-based house-building, con-tracting and property busi-nesses According to the agree nesses. According to the agree-ment with its banks, if Beazer does not proceed with the flota-tion, the banks can seize Beazer's assets. While Hanson's bid put an end to the flotation plans, the question remains as to what Hanson will do about

Beazer's debts.
Hanson can borrow much ore cheaply than a company in Beazer's condition. Its most recent syndicated loan was arranged in 1989 to finance the acquisition of Consolidated Goldfields. This was a £3bn loan with a margin of 15 basis points over Libor. The frontend fees then were three basis points for a commitment of £300m, two basis points for a commitment of £200m and one

basis point for £100m.
Of course, pricing today is now double or three times the level it was in 1989. One banker has suggested that Hanson might have to pay between 40 and 50 basis points over Libor for a three- to fiveyear facility.

Schroders has been forced to improve the terms of a £125m five-year revolving cash advance facility which it launched for Chelsea Building Society earlier this month, following strong criticism over

the pricing and structure.
The facility will now take the form of a term loan rather than a revolving cash advance facility - with a margin of 35 basis points over

Schroders and Hill Samuel have "underwritten an amount sufficient to ensure the successful completion of syndica-tion". Originally, Chelsea planned to pay 30 basis points over Libor and a commitment fee of 12.5 basis points on the undrawn portion of the revolving cash advance facility. Chelsea had agreed to keep at least 60 per cent of the facility drawn and had intended to use

Sara Webb Toa Corp(m)****

INTERNATIONAL BONDS - THIRD QUARTER

Canada leads activity with volume surge to \$14bn

international bonds have persisted in most sectors during the third quarter of 1991. Several markets ended the quarter at high points for the year, which should stimulate further activity in the fourth quarter. Total new issue volume so far this year is up \$50bn on the

first nine months of last year at \$175bn, according to the International Financing Review's Bondbase, reflecting the strong performance of international bond markets. However, the gap is exagger ated by the hiatus in new issue activity which followed Iraq's invasion of Kuwait last sum-

The Canadian dollar market has been particularly strong, pushing secondary market yields to very tight levels, relative to the Canadian government bond market. The strength of the Canadian dollar has fuelled interest among retail and institutional inves-

	1st nine months of 1990							
Manager	Şbn	Rank	%	issues	Sbn	Rank	%	issue
Nomura	17.03	1	9.69	96	11,94	(1)	9.81	76
CSFB	12.26	2	6.98	49	7.50	(2)	6.16	35
Paribas	10.77	3	6,13	26	4.68	(6)	3.85	21
Daiwa	10.53	4	5.99	69	4,83	ໄລ໌	4.05	37
Deutsche Bank	9.69	5	5.51	58	6.59	(3)	5.41	41
Morgan Stanley	8.95	6	5.09	15	1.99	(21)	1.63	15
Yamalchi	8.70	7	4.95	61	3.11	(12)	2.56	20
Nikko Securities	6.99	8	3.98	59	4.35	(8)	3.57	26
Goldman Sachs	6.51	9	3.70	36	2.94	(13)	241	14
SBC	6.36	10	3.62	25	2.53	(14)	2.08	15
Industry totals	†176.61			995	122.42			871

tors, who are keen to benefit from the yield pick-up of around 175 basis points over US Treasuries still available in supply by Canadian provinces, which have been unable to fulfil their heavy financing needs in the domestic market the Canadian bond market. The Euroyen market also experienced a renaissance, boosted by a strong rally in the

New issue volume in the sector has surged to nearly US\$14bn equivalent, compared with just over \$4bn during the Japanese government bond market during the last few months. A Y120bn 10-year first nine months of last year. This results in part from heavy offering by the Japan Develop-

ment Bank in August, the largest to date, prompted renewed interest in a sector which has been suffering from increasing lack of liquidity in recent years. Volume in the Euroyen sector climbed from \$12.5bn last year, to \$20.5bn, although the number of issues fell.

The increased new issue activity is expected to persist in the last quarter, although many Japanese corporate deals will continue to be placed in the Far East, and will not be actively traded. The flow of deals could be boosted as Japanese companies try to refin-ance equity warrant deals, many of which are due to mature next year. Because of the poor performance of the stock market, many warrants have not been exercised.

Despite a weaker performance this quarter, volume in the Ecu sector has more than doubled at Ecu28bn, boosted by a surge of new issues by Eurogovernments in the first

EUROBOND ISSUES BY CURRENCY 1st nine months of 1991 262 64 69 183 43 91 35 24 21.80 15.15 12.72 12.31 13,95

quarter, including the UK's debut issue. Volume in the fixed-rate dollar market is up \$10bn at \$32bn, despite poor swap opportunities. Further supply is likely to be boosted by tight yield spreads and relatively low interest rates, which may persuade borrowers to lock in

current interest rates. Investor

demand is expected to remain strong, boosted, as in the Canadian market, by an appetite for current coupon bonds which are not trading above par. Nomura International has maintained its position at the

Tracy Corrigan

 						NEW INTE	RNATIO
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Dalwa Kosho Lease(b)4†	170	1995	4	412	100	Daiwa Europe	4,500
Kingdom of Belgiumt	600	2001	10	81 ₈	99.913	SBC	8.138
Telebras(k)†	200	1996	(k)	10	95.831	Merrili Lynch	11.418
KFW Int.Financet	350	2001	10	818	99.70	Deutsche Bk Cap.Mkts.	8.170
Aegon NV†	100 50	1994 2006	. 3	7		Nildko Secs.	6,607
Far East Textilea(g)§† Centocor Inc.(o)§†	50 125	2006 2001	15	4	190 100	Salomon Bros. CSFB	4.000 6.864
Norsk Hydrot	150	2001	10 10	63₁ 83₄	100	Goldman Sachs	9.604 8.597
•	ıay	2001	טו	0-4	101	Goldman Sachs	6.391
CUs							
Compagnie Bancalret	106	1993	2	93 ₈		Merrili Lynch	8.924
Petrobrast	50	1994	3	12	95.58	Banque Indosuez	13.901
EBRD†	500	1996	5	8%	99.83	Morgan Stanley Int.	8.919
Exp.imp.Bk of Japant	250	1996	5	9	101.565	Paribas Cap.Mkts.	8.602
<u>sterling</u>							
EIB(I)f	50	1995	414	11 ¹ 2	105.34	JP Morgan	9.470
Allied-Lyonst	150	1999	713	105 ₈	100%	Baring Bros.	10.425
FRENCH FRANCS							
Credit Local de France(c)†	1.2bn	1999	8.167	814	100	Paribas Capital Mkts.	9.241
LVMH(i)†	750	1985	4	Zero	100	Societe Generale	•
CANADIAN DOLLARS						•	
Canadian Nat.Railways†	150	1998	7	10		ScotiaMcLeod	9.730
Deutsche Bk Finance NV†	250	1996	5	938	101.345	Deutsche Bk Cap.Mkts.	9.029
NEW ZEALAND DOLLARS							
State Bk of Sth.Aust.†	50	1997	6	914	101.07	Hambros Bank	9.011
D-MARKS							
EIBIONT	- 500	1998	7	(d)	100.20	Deutsche Bank	
Council of Europet	100	1996	5	à≒	1013	Trinkaus & Burkhardt	8.185
Nat.Bk of Hungaryt	500	1998	7	10%	1001 ₂	Dresdner Bk	10.640
/ahagi Construction	100	1995	4	57	100	Daiwa Europe GmbH	5.875
Suminoe Textile Co.4	100	1995	4	5%	100	WestLB	5.875
SWISS FRANCS							
/			_				

	Amount		Av. life	Coupon		Book runner	Offer yield
Borrowers	m.	Maturity	years	%	Price		?
Kyoritsu Ceramic(a) ★ ★◆↑	25	1995	•	5	100	Bank Julius Baer & Co.	5.000
Teollisuuden Voimat	100	2001	-	71 ₄	101	SBC	7.107
Ryomo Systems * * †	25	1996	-	712	995	Wirtschafts & Privatble	7.574
Uni-Charm Corp(i)★★♦	100	1995	-	5	100	Credit Suisse	5.000
LIRE						_	
Helaba Int.Financet	150bn	1995	4	12	101.45	Credito Italiano	11,527
SWEDISH KRONOR							
Fin.for Danish Ind.†	300	1996	5	10¾	1015	Bankers Trust Int.	10.318
Union 8k of Finlandt	300	1996	5	1034	10112	Unibank A/S	10.351
ESCUDOS							
World Bank(h)†	15bn	1996	5	12	101	Bco.Portugues Inv.	11.724
YEN							
World Bankt	75bn	1996	5	6	99.80	Yamaichi Int.	6.048
Kubota Corp†	30bn	2000	81⁴	6.9	101%	Nikko Secs.	6.671
Alps Electric(j)†	30bn	(I)		(J) 6%	(1)	Nomura Int.	W
Mitsubishi Electric Corpt	30bn	1997	51 ₄	67/2	10112	Daiwa Europe	6.519
NEC Corpt	30bn	1997	514	6.8	1013	Daiwa Europe	6.473
NEC Corpt	20bn	2000	814	6.8	1013	Yamaichi Int.	6.572
LUXEMBOURG FRANCS							
Ford Motor Credit(e)†	3.5bn	1994	3	95 _B	101.85	Credit Europeen	8.896
Cregem Int.Bk★★†	400	1994	212	95g	102	Cregem Int.	8.630
CIBCt	1.5bn	1998	7.167	912	102.30	Bque Paribas (Lux)	9.039
Kredletbk.int.Fin.(n)†	1bn	1999	8	914	102.10	KBL .	8.872
Transamerica Trailer**	600	1996	5	912	101.95	Cregem Int.	8.999

Westpac Banking Corporation

(Incorporated with limited liability in the State of New South Wales, Australia)

U.S. \$500,000,000 Perpetual Capital Floating Rate Notes

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from 30th September, 1991 to 31st March, 1992 the Notes will carry an Interest Rate of 5-8375 per cent. per annum. The Interest Amount payable on the Interest Payment Date which will be 31st March, 1992 is U.S. \$296-74 for each Note of U.S. \$10,000 and U.S. \$7,418-49 for each Note of U.S. \$250,000.

Morgan Guaranty Trust Company of New York

CITIBANCO

CHEMICAL NEW YORK CORP US\$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with provisions of the Notes, notice is hereby given that for the interest period from 39 September, 1991 to 31 October, 1991 the Notes carry an nterest rate of 55 per annum. The interest payable on the relevant Interest payment date 31 October, 1991 against coupon no 82 will be US\$4790 per US\$10,000 Note.

CHEMICAL BANK

US\$200,000,000 Floating rate subordinated

Wells Fargo & Company

100 Bca.d'Svizzera Italiana

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 30 September 1991 to 31 October, 1991 the Notes will carry an Interest Rate of 5.625% per annum. Interest payable on the relevant interest payment date 31 October, 1991 will amount to US\$48.44 per US\$10,000 note and US\$242.20

Agent: Morgan Guaranty Trust Company

2175,000,000

FGIC Guaranteed

Funding Ltd

Incorporated with finited liability in the Caymen telectory in the Caymen telectory Floating Rete Notes due 2001 Susrammed as to the Scheduled paymer of Principal and Interest pursuant to a Surety Bond Issued by

in accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 26, 1991 to December 27, 1991 the Notes will carry interest at the rate of 10.94688%.

per arrum. Interest psychie on December 27, 1991 will amount to \$26,212.53 on each \$2950,000 Note.

By: The Chase Mankstan Bank, N.A. Loadon Branch, Agest Bank September 30, 1991 CHASE

рет US\$50,000 note.

JPMorgan

MANUFACTURERS HANOVER

Sucursal en España

This announcement appears as a matter of record only



SYNDICATED TERM LOAN

Pesetas Millions 7,500

Bancotrans (Grupo Deutsche Bank) La Caixa

Algemene Bank Nederland N. V., Barcelona, Sucursal en España

Banco di Roma s.p.a., Sucursal en España Caixa D'estalvis del Penedes

Participants

Societe Generale, Sucursal en España

Banco de Europa Banco de Finanzas e Inversiones, S.A. (FIBANC)

Banco Portugues do Atlántico, Sucursal en España Banque Bruxelles Lambert, S.A. Sucursal en España

Caixa D'estalvis de Terrasa Caixa de Mantleu Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos Sabadell Multibanca, S.A. CCM Caja Toledo

Manufacturers Hanover Trust Company

July 1991

AMERICAN EXPRESS BANK

Notice in hereby given that the Rate of Interest has been fixed at 10.4375% in. and that the interest payable on the relevant Interest Payment Date.

250,000,000

(Zen Nippon Kuyu Kabushiki Kaisha)

maily and irrevocably guarantees principal and interest by principal and interest by The Long-Term Credit Bank of Japan, Limited

September 30; 1991, London Br Olibank, N.A. (CSSI Dept), Agent Bonk

ALL NIPPON AIRWAYS CO., LTD.

GUARANTEED FLOATING RATE NOTES DUE 1991

U.S. \$100,000,000 Floating Rate Subordinated Capital Notes Due 1997 Notice is hereby given that the Rate of Interest has been fixed at 5.625% and that the interest payable in respect of U.S. \$10,000 principal amount of Notes for the period September 30, 1991 to December 31, 1991 will be US \$143.75.

September 30, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANCO

PT. PABRIK KERTAS TJIWI KIMIA

U.S. \$75,000,000 7.25 per cent. Convertible Bonds due 2001 (the "Bonds") NOTICE IS HEREBY GIVEN pursuant to Clause 6(c) of the trust dead dated 12th April, 1991, constituting the Bonds (the Trust Deed'), that following the resolution passed at the shareholders around general meeting, held on May 31st, 1991, to issue 49,680,000 common share the Conversion Price for the Bonds has been adjusted pursuant to Clause 7(a) of the Trust Deed from Rp.9,100 to Rp.7,000 per Share with effect from October 18th, 1991.

30th September, 1991 By: Cribani, N.A. (CSSI Dept.), London Principal Paying Agent

CITIBANCO

CITICORPO

U.S. \$500,000,000 **Subordinated Floating Rate Notes**

Due October 25, 2005

Notice is hereby given that the Rate of Interest has been fixed at 5.6% and that the interest payable on the relevant Interest Payment Date October 31, 1991 against Coupan No. 72 in respect of US\$10,000 nominal of the Notes will be US\$48.22. September 30, 1991, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

U.S. \$500,000,000 CITICORPO

Subordinated Floating Rate Notes Due January 30, 1998 Notice is hereby given that the Rate of Interest has been fixed at 5.575% and that the interest poyoble on the relevant Interest Payment Date October 31, 1991 against Coupon No. 69 in respect of US\$10,000 nominal of the Notes will be US\$48.01.

September 30, 1991, London By: Critibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

OSB

£100,000,000 Perpetual Floating Rate Notes Notice is hereby given that the Rate of Interest has been fixed at 10.87188% and that the interest payable on the relevant Interest Payment Date December 31, 1991 against Coupan No. 7 in respect of £10,000 nominal amount of Notes will be £274.03,

September 30, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

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US\$100,000,000 loating Rate Notes nterest Rate 5.9175% p.s. Interes Period September 30, 1991 to March 30 1992. Interest Payable per US\$100,0 Note US\$2,991.63. September 30, 1991, Landon By Crisbenk, N.A., (CSSI Dept.), Agent B

Yasuda Trust and Banking (Luxembourg) S.A. US\$ 50,000,000

Floating/Fixed Rate Guaranteed Notes Due 2000 Guaranteed by

The Yasuda Trust and Banking Company. Limited In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 30th September 1991 to 30th March 1992 has been fixed at 5-9875% p.a. The coupon amount payable on 30th March 1992 will be US\$ 151-35 per US\$ 5,000 Note.

London

The Yasuda Trust and Banking Company, Ltd.

London Agent Bank

PAINE WEBBER GROUP INC

US\$200,000,000

Subordinated floating rate notes due September 1993

For the six months 30 September, 1991 to 31 March, 1992 the notes will carry an interest rate of 6%. Der annum and interest payable on the relevant interest payment date 31 March, 1992 will amount to US\$308.18 per US\$10,000 note and US\$3,081.77 per US\$100,000

Agent: Morgan Guaranty Trust Company

JPMorgan

Didcot power award

GEC ALSTHOM has been awarded a contract by Frame technology of the latest National Power to build a com-bined cycle gas turbine (CCCT) power station at Didcot with a total project cost in prospect of £450m

The go-ahead for it, however, is subject to receipt of consent following the public inquiry announced by Mr John Wakeham, Secretary of State for

Energy Included in the project and the total cost projected are the design, construction and commissioning of two modules of

880MW each. It is planned that the first module would come into opera-tion in 1994 with an option to build the second exercisable within 12 months.

The station would be supcamshaft controls will be replaced with electronic Gate plied by natural gas. National Power already has a contract with British Gas for its supply.

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NW1. Tel: 071 485 0011

OCTOBER 7-10

THE WHAT SATELLITE

OCTOBER 4-5

Dundee, Centre for Petroleum and

Elizabeth Thomas Tel: 0382 307299

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Management College to examine and

those (men and women) concerned with

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elent women managers. Contact een George on 0491 571454 or

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quiries: Financial Times

LONDON

admission with appropriate business card. For information: Jane Murtagi

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for Turkey

INTERNATIONAL has been awarded a 967m contract for the management, supply, installation and commissionin of technical equipment to 28 universities in Turkey. The Nottingham-based com-

and largest design of gas tur-

bines developed by General

Electric of the US working in conjunction with the

Each module is to have two

gas turbines, two associated heat recovery steam generators

and one steam turbine giving a

module output of 680MW with

of 54 per cent.

trolled trains.

thermal efficiency in excess

In the meantime GEC Als-

thom's transport division has

secured an contract worth over

\$50m to refurbish the Hong

Kong Mass Transit Corpora

tion's fleet of camshaft con-

Under it existing mechanical

Angio-French power group.

pany is being backed by the Export Credits Guarantee

Department.
A loan is being provided by
Chartered WestLB on behalf of a syndicate of banks including Midland, Standard Chartered and Guflf International Bank. The project is also receiving an Aid and Trade Provision THE WEEK AHEAD

ECONOMICS Markets look for a Fed initiative

THE hesitant US recovery and the possibility of further action by the Federal Reserve to stimulate activity through interest rate cuts are likely to pre-occupy financial markets this week. The policy making Federal Open Market Committee meets tomorrow at a time when the White House is pressing for lower interest rates and there is little sign of inflation-

ary pressure in the economy.

Although the Fed's discount rate was cut to its lowest level since 1973 earlier this month, Fed members are thought to be willing to ease monetary conditions further in the light of subdued money supply growth. However, it is unclear whether they will move immediately.

Tomorrow's report from the National Association of Pur-

turing. But Friday's employ-

199 1990 Source : Dalastrezni ment in September. MMS International, the financial research company, reports that forecastviews of non-farm payroll chasing Managers should point to further growth in manufactrends vary widely, ranging from a fall of 40,000 to growth of 190,000 in September. Events and statistics, with median market forecasts from ment data, covering the whole economy, is expected to show a further slight rise in unemploy-

MMS in brackets, include:

2000

US employment

400:

200 4

Civilian labour force changes

non agricultural payrolis (1000)

200

Today: US, September Chicago purchasing managers' report. September agricultural prices. Japan, August construction orders, starts, housing starts. UK final August money supply figures, new vehicle registra-

Tomorrow: US, Federal open market committee meets. August construction spending (down 0.2 per cent), leading indicators (flat), September NAPM index (54.6 per cent). Japan, August unemployment rate, September foreign exchange reserves. Australia. August current account (ASI 0bn seasonally adjusted). Wednesday: US, August new home sales (up 1 per cent), UK, September official reserves

Thursday: Germany, National holiday for reunification, deadline for Bundesbank reorganisation. US, August factory orders (down 1.7 per cent), shipments; auto sales Septem-ber 21 - 30 (6.4m), money sup-

ply for week to September 23. Canada, September foreign exchange reserves (US\$750m). Australia, August building approvals (down 6 per cent). Friday: US, September nonfarm payrolls (up 40,000), manufacturing payrolls, unemployment rate (6.9 per cent); August average workweek. hourly earnings, housing starts; release August 20 FOMC minutes. Japan IMF basis August trade balance, current account, foreign bond invest-ment. Canada, July leading indicator. UK, August housing starts and completions, cyclical

During the week: Germany, August industrial production (up 0.2 per cent), manufacturing output (down 0.5 per cent), manufacturing orders (flat), trade balance (DM1bn surplus), current account (DM3.5bn deficit). Italy, September consumer

Peter Norman

RESULTS DUE

would do well to break even in the second six months.

Since then Amstrad has announced that it will make an exceptional £20m write-down against unsold personal comForte will report on Thurs-

hit hard by the Gulf War and recovered only slowly since.
Shorn of the Trusthouse part
of its name, it continues apace
with the "branding" of its hotels by market segment.

Bank of Scotland's shares

around £70m against £110m and a dividend increase of some 10 per cent.

Sears, sporting a new chief executive in the form of Mr Liam Strong, ex-British Air-ways marketing director, will report tomorrow a drop in interim profits to around £12m excluding property and other income from £36.8m. How much of the costs of reorganising its menswear operations it will take as an exceptional

item is an unknown factor.

THE LEGAL PROFESSION

The FT proposes to publish this survey.

October 18th 1991

The Financial Times unsurpassed reputation for producing topical authoritative editoral ensures that this survey will be an essential point of reference for the 62,000 businessmen & women in the UK involved in decision making about legal services who read the Weekday FT. If you want to reach this audience call Gavin Bishop on 071 873 4780 or fax 071 873 3064.

Data source: BMRC Businessonan Survey (VII)

FT SURVEYS





LEADING INTERNATIONAL COMPANIES FOCUS ON THEIR APPROACH TO CUSTOMER SERVICE

A 1/2 day Seminar at the US Embassy. Grosvenor Square, Thursday October 17th

Dr Victor Buzzotta - a leading American psychologist and consultant to "Fortune 500" companies - will clear a confurence describing the experience of companies from either side of the Atlantic who have recognised the importance of giving priority to the needs and expectations of both "external" and "internal" enformer service.

Sponsored by the American Chamber of Commerce (UK) and People Skills International, the speakers at the conference will ade key executives from Dell Computers, ICI Paints, Mulland Bank, Standard Chartered Bank and the Paris based IFSF organisation presenting a continental viewpoint.

Reservations are available for £75 plus VAT to unclude banch. Apply to: The Events Department, The American Chamber of Commerce, 75 Brook Street, London W1Y 2EB or phone (171-49.) (1381).

AMSTRAD, the computer group, is expected to report on Thursday full year pre-tax prof-its of £20m, less than half last year's £43.7m. Mr Alan Sugar, the chairman, said when he announced half-year profits of £40.1m that the company

Some City analysts are worried that provision is too small. They will be looking for an indication of the state of the current year's trading. Given the depressed state of the computer market, they are not expecting an early improve-

day a sharp drop in pre-tax profits for the half-year to end July to about £45m from £112m a year earlier. Its hotel and airline catering businesses were

have outperformed the sector by more than 10 per cent since the May rights issue as the quality of its lending book and earnings continues to appeal to investors. Analysts are expecting it to report on Wednesday interim pre-tax profits of

TRADE FAIRS, EXHIBITIONS &

CONFERENCES

OCTOBER 22 International Regulation of the Transfer of Strategic Technology Convened by The Royal loss International Affairs. To be held at The Cafe Royal, London. Enquiries RIIA

rporating presentations conomies and aspects of Convened by the Royal Institute of International Affairs. To be held at The Cafe Royal, London. Enquiries RITA

OCTOBER 17-18 The European Community's Sendan & Workshops Communities, who drafted the Regulation; Chairman; Lord Clinton Davis: Two sessions followed by Buxton, Derbyshire. Cotnect Pamela

LONDON Controlling Investments Information Technology A one day course at LSE aimed at bringing together research investigation

WV Publications 57-59 Rochester Place **OCTOBER 14** Average Rate Options in the Foreign Exchange Markets Pricing techniques, bedging, practical applications for the user, legal aspects Speakers include Dr Desmond for the whole Fire protection professional. English Rivera Centre, Torquay. Contact: James Malcolm-Co FMJ International Publications Ltd.

> OCTOBER 15 SUCCEEDING WITH EXECUTIVE INFORMATION SYSTEMS development and implementation for EIS. Includes evolutionary develop approaches, effective scre

intelligence. 162 00 Fax: 081 944 0332 LONDON DOING BUSINESS IN ITALY. ed by: Coop OCTOBER 15 Lybrand, Europe. Covering the strategic CONFER '91 legal, M&A, accounting and personnel differences when compared to the UK. Exhibitors from the top 70 British Contact: FiBEX Tel: 071 489 9944 Fax: British Association of Conference LONDON

Street, Que **OCTOBER 8-10** THE ACCOUNTANTS

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Products and Services for Aco n Practice, Commerce and the Public Secsor. Entry free with be LONDON OCTOBER 9

AUTOMOTIVE FUELS implications of proposed changes in both at work and in everyday sito Little, The Institute of Petroleum. LONDON

OCTOBER 10 on Exporting to Germany kfast workshop including ious on suitable terms for exporting to Germany, getting paid for sales, financing the delay until the customer pays, legal aspects, distribution and technical issues. Venue: Codar Court Hotel, Wakefield. Cost £25.00 Contact: John Leslie 0532

OCTOBER 10-11 nt and Priva Foreign 1: In USSR Latest update on prospects post August 1991. Speakers from Credit Soisse First

Boston, Dentsche Bank, Gillette International, Moscow Narodny Bank, EBRD, EC Commission, ABB Asca Brown Boveri, Peja Group. Contact: Sarah Avian, IBC. Tel: 071 637 4383 Sarah Avian, Lo... Faz: 071 631 3214 LONDON

OCTOBER 11 The Cost Implications of Pay and Benefits in a Changing Public Sector, Cipfa's Public Finance Foundation and Noble Lowndes Consultants and Actuaries. Rewards for finance personnel in the public and private sectors - the 'total 071-895 8823 Ext.255 Gell Main or

OCTOBER 11 reasing managerial control over IT by and lessons learnt from industry. Contact Nicola Meakin, Short Courses Office, LSE, Tel: 071-955 7227

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Fizzerald, Director, Head of Arbitrage, Missibishi Finance International pic and Mark Yallop, Director & Head of Derivatives, Morgan Grenfell & Co Ltd. Call Gillian Becket (0223) 423250

LONDON approaches, effective screen presentation and data quality and consistency issues. Contact Basin Intelligence. Tel: 081 944 1591

Towns, Elizabeth House, 22 Suffolk Street, Queensway, Birmingham B! ILS

(tel: 021-616 1400). Contact: Tracy LONDON

The Interactive Multi-media Event. (Time '91) This is the largest Multimedia Exhibition and Conference in Europe with over 80 exhibitors and 60 speakers. The event will demonstrate the benefits and versatility of mathmedia in such areas as retail, banking, finance, publishing, advertising, leisure, education and training. Wembley Exhibition Centre

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Hall 2/3. Contact: Lettise Cooke.

OCTOBER 16 MAKING CLEANER FUELS IN

The subject of cleaner fuels is both topical and vital, in the light of today's growing realisation that we must preserve our environment both no nent both now and for future generations. Connect: Caroline Little, The Institute of Petroleum Tel: 071

OCTOBER 17-18 Global outlook for short-term interest rates A extremely topical two day on major world ec BCU and the EMU. Onest spea Mr K. Matsuda (Bank of Japan). Contact: Christine Moore on 071 637

OCTOBER 18 OUTPLACEMENT Reviews changing policies in UK how well consultancy suppliers are performing. Highlights how to get better value from supplier of outplacement services. Speakers include Hewlett services. Speakers include Hewlett Packard, BT, IPM. Contact Kingsland

CONTROL OF OIL POLLUTION COURSE Vital for those with manay measures. Contact: Caroline Little, The Institute of Petroleum Tel: 071 636 1004 HERTFORDSHIRE

OCTOBER 21 PAY AND PLAY GOLF SEMINAR pay and play golf development. ual experts on the golf market, construction and environ figure, the law and marketing. Contact British Sports and Allied industries Federation. Tel; 081 681 1242

Fax: 081 681 0012

ics and Top ent Officials from Krw Europe, USA, Japan, and the Middle East strategic perspective on Knwait. Contact: Strategic Investment Forum Ltd. OCTOBER 15-17

OCTOBER 22 Remediation of Industrial Sites Discusses the technologies for the clean up of soil and ground water contaminated by petroleum products chemicals. Contact: Curoline Linte. The Institute of Petroleum. Tel: 071 636 1004

include Dr. B. Bianchi (Bank of Italy) and

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Guest speaker: Bernardo Delogu, DGXI, Commission of the European

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Contact: FIBEX. Tel: 071 489 9944 Fax: LONDON OCTOBER 22

COMMERCIALISING THE LT. DEPARTMENT Examines the arguments for and against different forms of commercialisation and explores key factors in successfully making the transition. Contact Busi ce. Tel: 081 944 1591, Fax: 081 944 0332 LONDON

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Contact Jane Campoon 450, 12-5, 640,62,40 Fax: (32) 2/ 640,67,35 LONDON OCTOBER 24 - NOV 28 Creative Accounting
Six Thursday evening seminars at LSE intended for senior managers with no specialist background in accounting with need for awareness of risks in resentation and misrepresentation of metal reality. Nicola Meakin, Short Courses Office; Tel: 071 955 7227. LONDON

OCTOBER 28 Managed Futures Funds - The role of the trading advisor akers from the SPA. Refer nternational, Clerical and Medical, John Govern and others. Looks at the US race of CTAs and the potential for development of trading advis nes and Options World (081) 330 4311

OCTOBER 29 & 30 European Postal Services: The Way Ahead Hotel InterContinents London. Enquiries: Financial Times Tel: 071-925 2323, Fax: 071-925 2125

LONDON

OCTOBER 30-31 The Fourth Oil Loss Control Conference Real and apparent losses in refining and Storage. Contact Caroline Little, The

OCTOBER 30 PREPARING FOR THE LPTURN

Lloyds Bank/ECGD/Internation Factors. How to make the best of ties to come by ol working capital, securing risks on debtors overseas and at bome, dentors overseas and at some, increasing sales. Venue: Regent Street, from 11,00 to 14.00. Free of Charge. Contact Wendy Trollope 0273 21211 LONDON

OCTOBER 30 Activity Based Cost Misma CBUDEVELIN & PARTNERS CONFERENCE Centre Point, London Contact: Sandra Aldred, CBI Conferences Tel: 071-379 7400

Fax: 071 497 3646 LONDON NOVEMBER 4 MAKING L.T. STRATEGY SUCCEED experienced IT directors the con explores the success factors and key problems associated with developing IT strategies which generate business benefits. Contact Business Intellig

NOVEMBER 11 JOINT OPERATION AGREEMENTS This Conference will critically exstandard industry terms regarding the operating conditions of companies in a North Sea. Contact: European Study

Tel: 081 944 1591 Fax: 081 944 0332

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Cadbury Ltd. Northern Telecom Fr Ltd and Edwardian Hotels. For further eils contact Janine Shields, IBC, on LONDON **NOVEMBER 12**

Challenges in Energy Statistics The Royal Society. The single market, opening of Easten rope, environmental concerns an varisation of the categy supply estries have led to new chall industries neve see to me this field. Will this lead to greater ess and access to in openness and access to unintriation of will accurate data now become a scare ramodity? Contact: Judith or Jill at The stitute of Energy on 071-580 0008, Fax: 071-580 4420.

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The 1991 Amex Bank Review Prize Winners Forum Convened by the AMEX Bank Review and The Royal Institute of Internatio Affairs. To be held at Chatham House, London, Enquiries RIIA Conference Tel: 071 957 5700, Fax:071 957 5710

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Contact: Customer Services on

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NOVEMBER 27 Recent Advances in Management Accounting The Gloucester Hotel, London. To de: Activity-based man Alme and Throughput Accous Organised in Association with CIMA. For further details please contact Mary

NOVEMBER 28-29 KNOW YOUR COMPETITORS Competitor Intelligence & Analysis Café Royal, 68 Regent Street, Contact: Patricia Dor EMP Intelligence Service.

International on 071-637 4383

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Contact: Athins Peters - Legal Studies &

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DECEMBER 9-10 Nordic International Tax Planning The third symposium exam international anti-avoidance legislation ation of dividends and capital gains from foreign subsidiaries, tax havens and foreign holding companies, and tax etticient cross-border transfer pri

strategies. Contact: Sarah Avian - IBC LONDON

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OCTOBER 22-24 COALTRANS 91 Hetel Inter-Contic The 10th World Coal Trade and Transpor ence & Exhibition - the intern coal industry's annual meeting place. Connect: Sonia Goram, ConTrans Conferences Ltd., 54 Chears Common Rd. Surrey KT4 8R1, UK Tel: +44 (0) 81-330 3911

Pax: +44 (0) 81-330 5112 BERLIN

OCTOBER 30-31 Competitive Intelligence Objectives. Systems. Techniques and Analysis. Seminar presented by Kirk Tyson, author of Competter Intelligen Manual & Guide, Hotel Base Au Lac. Zarich. Also in London 4-5 November. Contact: IIB SA (Geneva) Tel: (41) 22 788 2751

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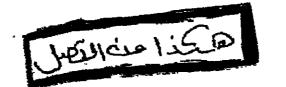
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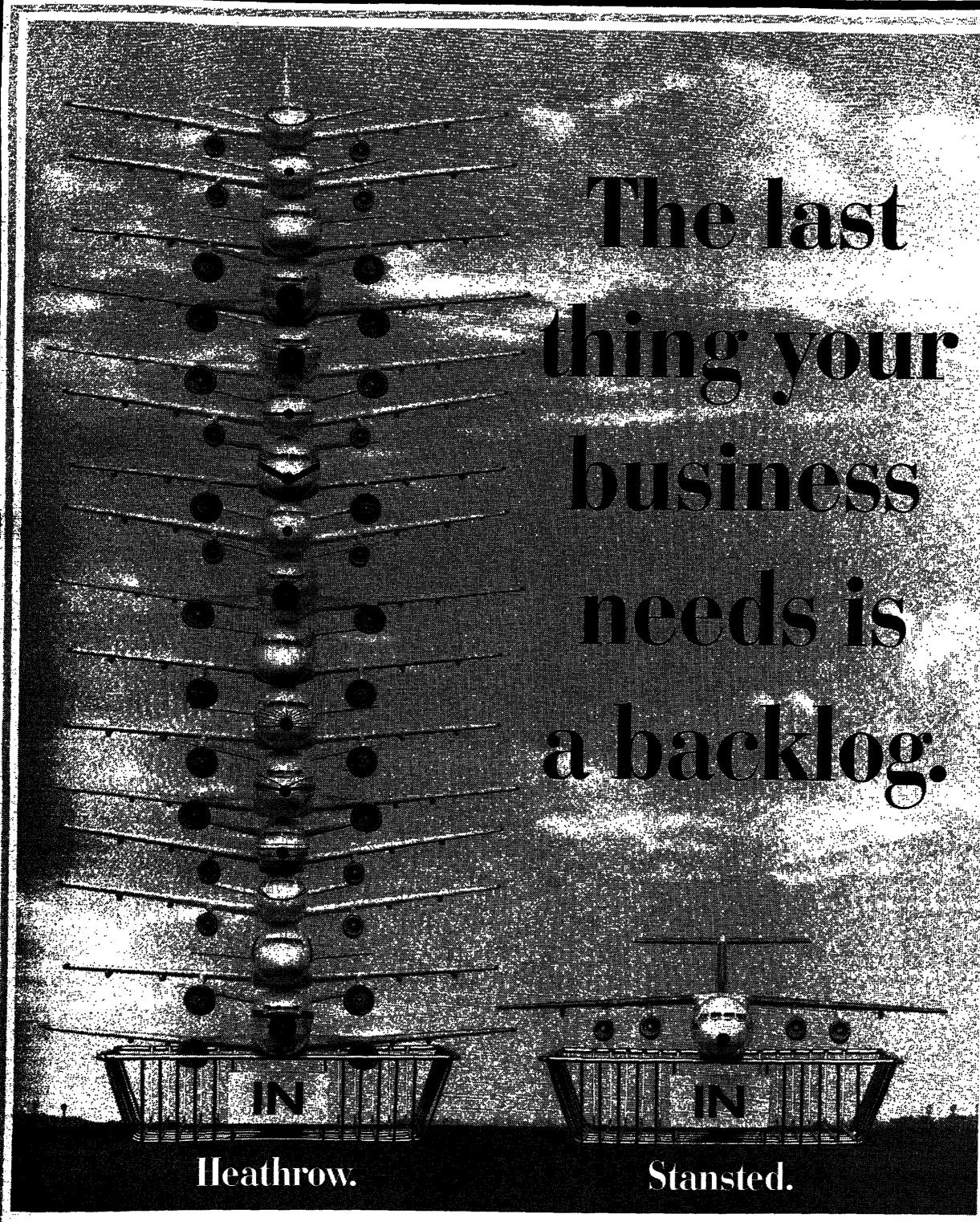
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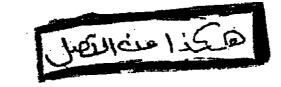
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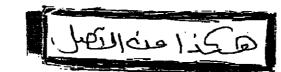
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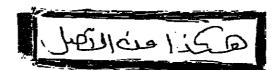
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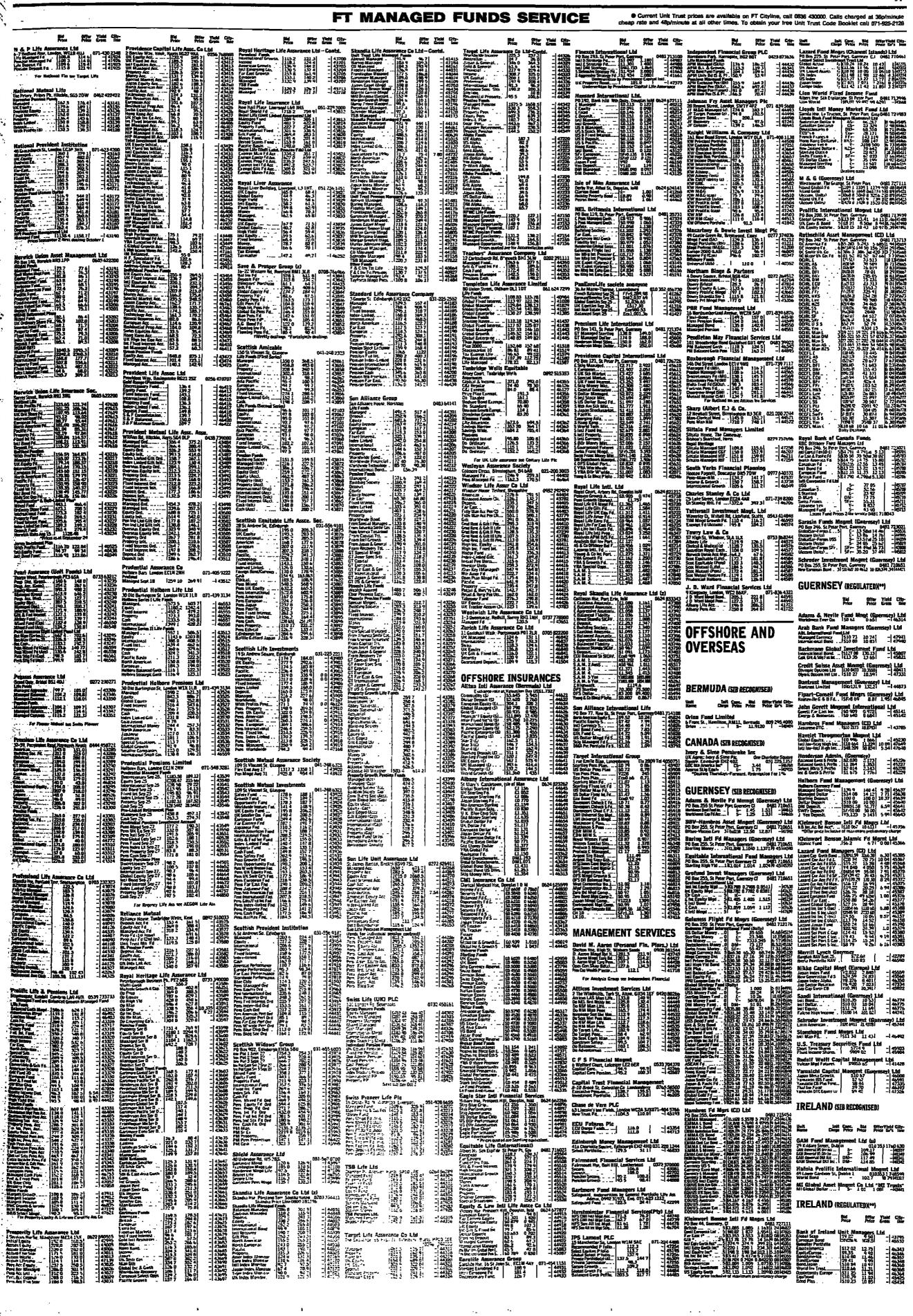
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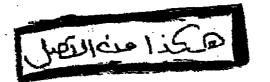
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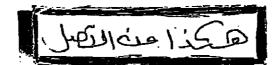


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MONEY MARKET FUNDS



FINANCIAL TIMES MONDAY SEPTEMBER 30 1991 CURRENCIES, MONEY AND CAPITAL MARKETS MONEY MARKETS POUND SPOT - FORWARD AGAINST THE POUND **US dollar steadies** awaiting jobs data THE strength of the US economy's recovery from recession continues to dominate the payroll employment is expected to rise by just 10,000, compared with the 34,000 dollar's movements. This week will be no exception as cur-rency dealers wait for the Sep-tember employment report on increase in August. Another jobs report showing little employment growth will be bound to lead to pressure in the market for a reduction in US interest price. the market for a US interest rates. US interest rates. The Federal Reserve may be willing to relax monetary policy if the recovery is showing signs of faltering. But it is not clear whether this will cause the dollar to slide. Longer-term institutional investors have begun to pick up dollars and seem likely to do so again if the dollar weakens. DOLLAR SPOT - FORWARD AGAINST THE DOLLAR UK clearing bank base leading rate 10.5 per cent from September 4, 1991 The indicators last week provided mixed signals on the economy and the dollar remained locked in a narrow remained locked in a narrow trading range. US administration officials remained upheat, anticipating a strong rebound in the current quarter. However, the market is not convinced and there is a growing belief that there will be no rapid recovery. This view is likely to be supported by the September employment report, which is released on Friday. Non-farm weakens. 7.10 iredis 7-2.12 cils 7-2.12 cils 2.65 oredis 1-0.15 ydis There are also technical reasons for believing the dollar will not give up all of the gains it is made so far this year. Some chart analysts believe the dollar could soon move higher. With the market unable to **EXCHANGE CROSS RATES** make up its mind on the dollar the US currency may just remain stuck where it is 5 BM Yen F Fr. S Fr. H Fl. Lina CS B Fr. ECU despite the jobs figures. 1.738 2 913 231 8 9.925 2 535 3.285 2179, 1.969 60.15 1.424 \$ 0.575 1 1.676 133 4 5.711 1.459 1.890 1254 1.133 34.61 0.819 BM 0.343 0.597 1 79.57 3.407 0.870 1.128 748.0 0.676 20.65 0.489 **E IN NEW YORK** CURRENCY MOVEMENTS 4.314 7 498 12 57 1000. 42 82 10.94 14.17 9400 8.494 259.5 6.143 FFr. 1.008 1.751 2.935 233.6 10. 2.554 3.310 2195 1.994 60.60 1.435 SFr. 0.394 0.686 1.149 91.44 3.915 1 1.296 859.6 0.777 23.73 0.562 MFI. 0.304 0.529 0.887 70.56 3.021 0.772 1 663.3 0.599 18.31 0.433 Guaranty Cranges % 91.0 64.8 106.2 109.2 110.7 108.5 117.5 109.9 113.5 102.3 98.7 138.9 Lira 0 459 0 798 1.337 106.4 4.555 1.163 1.508 1000, 0.904 27.60 0.654 C\$ 0.508 0 883 1 479 117.7 5.041 1.287 1.668 1107 1 30.55 0.723 BFr. 1.663 2.889 4 843 385.4 16.50 4.214 5.461 3623 3.273 100. 2.367 STERLING INDEX ECU 0.702 1.221 2.046 162.8 6.970 1.780 2.307 1530 1.383 42.24 1 Sep.27 Previous Yen per 1,000: French Fr. per 10" Lira per 1,000: Belgian Fr. per 100. EURO-CURRENCY INTEREST RATES Sep 27 **CURRENCY RATES** OTHER CURRENCIES 0.784272 1.34032 1.54410 16.1103 47.2643 N/A 2.287181 7.80416 1711,77 18.97553 144 984 N/A 1 99083 N/A R/A 5.50 8.78 7.50 8.00 9.50 7.50 8.00 101, 111, 5.50 Caudian S Austran Sch Belgian Franc Danish Krone D-Mark Detch Golder French Frant Lillan Lira Japanse Yen Seven Krone Spunish Peseta Swettish Krona Swetsish Krona Swetsish Krona Swets Franc Greek Drach Irish Pent Long term Eurodollars: two years $6\frac{1}{4}$ - $6\frac{1}{4}$ per cent; three years $6\frac{1}{4}$ - $6\frac{1}{4}$ per cent; filer years $7\frac{1}{4}$ - $7\frac{1}{4}$ per cent; filer years $7\frac{1}{4}$ - $7\frac{1}{4}$ per cent; nonleast. Short term rates are call for US Dislars and Japanese Vest reliefs from dark milities. FT LONDON INTERBANK FIXING 10 00 7 00 19 (12.00 a.m. Sen.27) 3 months US dollars The fiving rates are the arithmetic means numbed to the nearest one-statement, of the bid and offered rates for SLDs contect to the number by five reference bands at 12,00 a.m. each northing day. The bands are Mational Westminste Bands, Bank of Tokyo Destsche Bank, Banger Mational of Paris and Margam Gomerany Treat. CHICAGO MONEY RATES NEW YORK Tag Months 9039.15 92.95 73.85 9089.18 63.45 113.115 91.914 10-104 LONDON MONEY RATES Three Months One Nonth Sep 27 1012 1012 1012 1023 1023 1023 1023 5.43 772 913 914 11 102 Treasury Bitts (seth) one-month 10½ per cent, three months 9½ per cent; six months 9½ per cent; thank Bitts (seth) one-month 10½ per cent, three months 9½ per cent; six months 9½ per cent; thank Bitts (seth) one-month 10½ per cent; three months 9½ per cent; Treasury Bitts: Average tender vate of discourt 9 6°79 p.c. ECGD Fixed Rate Sterling Export Finance, filable up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991. Scheme 117 09 p.c. Scheme in S. III 110 p.c. Local Authority and Finance Houses even days notice officers seven days finance Houses Sterle Rate 11 from September 1, 1991. Sank Deposit Rates for sams at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100 000 and over held under one month 7 per cent; one-three months 9½ per cent; three-tix months 9 per cent, six-nine months 9 per cent, nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent. FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries MATERIAL AND THURSDAY SEPTEMBER 26 1991 DOLLAR INDEX FRIDAY SEPTEMBER 27 1991 254 [ress 1015]c 1977.... 104-0.5 [2-4] [1899] 1400[10.25]c 2-5 [2-2] [1893] 11.9 [1.01] [1.0

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	RECEDIAL MARKETS									_							
:	Figures in perentneses show number of lines of stack	US Dollar Sides	% chg (\$) sunce 31/12/90	Pound Sterling Index	Yen Indo	OM Inde>	Index	Local *: chg fram 31/12/90	Gress Oiv. Yield	US Gollar Inder	Pound Sterling Index	Yan Index	DM Index	Local Currency Index	1991 High	1591 Low	Your ago (approx)
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	Austrafia (56)	150 01			152.12	157.22	158 04	+ 3.3	1.79	181.53	155 30	153.19	158.79	158.33	222.37	154,82	179.74
	THEOREM CAN	150.33	- 8.3	153 87	107.11	11071	108.51	+7.5	5.46	127.53	109.11	107.61	111.56	108.82	151.20	118 04	127.66
	5000mm (47)	126.55	-40	105 35		117.79	111.00	+ 1.6	3.42	135.09	115.57	113.99	118.16	111.05	142 27	126.49	127 51
•	Carinda (114)	135 12	+35	115 29	113 97		223.85	+ 22.5	1.57	254 14	217.42	214.47	222.30	223.90	270.56	217 74	234.84
	Denmark (37)	253.79	+ 9.1	216 56	214.09	221.27		-66	3 29	87.80	75.11	74.10	75 80	75.65	125 15	84.92	103 87
	Finland (16)	64 92	- 17.7	72 J6	71,64	74 04	73 24		3.45	142.75	122 12	120.45	124.85	128.36	152.26	119.11	126.17
	France (109)	1436	190	122 59	121 18	125.25	128.74	+ 22.4		109.85	93.97	92.71	96 08	96 09	125 35	94 15	101.28
	Gartneny (RE)	109 48	-22	93.41	92.36	95.45	95.45	+9.7	2.35			137.67		162.23	169.98	119.62	112.82
- :	Germany (65)	163 49	+342	139 51	137 91	142.55	162.63	± 33.3	4.36	163 14	139.57		142.71	141 76	182.46		139.61
	Hong Kong (55)		+ 8.1	136.98	135.40	139.97	142.13	+ 20 8	3.52	159.86	135.76	134.90	139 83			132 88	
	Felanci (18)	160.54	-7.7	61 64	60.94	62.98	67.66	+ 2.6	3.43	71 91	61.52	60.58	62.90	67 56	88.23	64 76	81.42
	QUY (11)	72.24		11531	113.99	117.83	113 99	+6.6	0.74	135.34	115.79	114 21	118.40	114.21	146 97	118.23	105.36
٠	Appen (474)	135.14	+83	170 61	168.66	174.32	211 77	- 4.0	2.62	196.61	169.91	167.60	173.72	210 05	247.78	189.18	182 95
٠.	Matayaia (55)	199 94	-57	1/0/01	1007.18	1040.98	3993.28	+ 111.6	1,32	1190 04	1018 C9	1004.25			1226.36	534 45	481.19
	Mexico (16)	1 193.96		1018 80	117.99	121.95	120.69	+ 17.0	4 47	139 24	119.12	137.50	121.20	129.47	145.73	125.70	127.55
	**************************************	139.61	145	119 35		40.82	43.74	+ 11.5	6.96	46.07	39,42	33.88	40 30	43 35	54 64	41.18	56.11
i.	New Zeeland (14)	46,82	÷79	39 95	39 50	173.81	176 04	+92	1.58	199.85	170 97	168 65	174 52	177 95	223.24	178.58	243.61
_	Norway (31)	199.35	- 24	170 10	168.16		148.61	+ 16 5	2.40	190.05	162.59	160.38	165 24	145.14	208.25	151.63	147 24
	Singapore (38)	190 37	+ 19 5	62.44	160.59	165.98			3 35	248.64	212.72	209.82	217 49	168 01	258.85	173.CD	165 28
-∹	South Africa (61)	245 82	+ 34 4	209 76	207.36	214.32	165.08	+ 21.2			134.74	132 91	137.77	126 84	171.12	131.51	123.54
٠.	Shall rest	156 17	+ 11.3	133 25	131.74	136.15	125.70	+23 5	4.31	157.50	165.41	161.19	167 09	172.84	204.12	148.60	158.07
-	Spein (53)	197 74	+ 17.7	160.19	158.37	163.69	170.30	+ 28 3	2.62	191.01			81.25	64 35	1G0.67	82 17	45 00
	Sweden (25)	93 54	+52	79.82	78.91	81.57	84 64	+ 20.4	2 28	92 98	79 46	78.39					
.3	Seritzerland (56)		195	154 81	153 03	158.17	154 81	+ 21.6	4.79	180.65	154 72	152.60	158 18	154.72	187 44	156.27	149.78
	United Kingdom (240)	181.43		133 84	132 32	136.76	156 85	+ 17.7	3.10	157.14	134 43	132.51	137.46	157.14	161.02	125.95	123.35
	USA (526)	156 85	+ 17.7	133 67			100 07	+ 17.9	3 90	141 67	121 20	119.55	123,93	123 10	151.52	125 53	124,21
	Europa (897)	141 93	+ 5.5	121 11	119.73	123.75	123.02		2.04	185 50	159 55	157.35	165.13	16G.11	200.81	155 55	172 38
	Nordic (109)	154 86	+ 10.2	157 73	155.94	161.17	159 00	+ 22.1	1.08	136 06	116 40	114 82	119.62	115.50	145.92	117.86	102 42
	Pecific Basin (718)	135.3	19.5	115.93	114.61	118.46	115 30	+78	2 23	138 63	118 60	116 98	121.25	119.32	147.58	121 29	116.03
	Euro - Pacific (1545)	133 61	+77	118 29	116.92	120 64	119 17	+117		155.71	133.21	131 41	135 23	154.01	159.66	125.91	123 52
	North America (840)	155.44	+ 16.9	132 63	131.14	135.54	153 74	+ 16 7	3 12		101.38	100 02	102 68	104.99	129 80	103.58	109.94
•	Dress Su (m. 244)		+27	101,19	100.06	103.41	104.82	+ 15.2	3 21	178 50		120.75	125.16	126 15	147.60		121 14
	Europe Ex. UK (587)	118 59	+ 23 5	122 03	120 66	124.70	126.08	+217	4.34	143.07	122.40			120 48		111.40 122.32	
	Pacitic Ex Japan (244)	143 €	33	11968	118 32	122.29	120.28	+119	2.28	140 30	120.03	115 40	122.73		148 16		117.12
•	World Ex. US (1736)	140 26	+119	120 59	119.22	123.23	129 43	+ 13.2	2.32	141 51	121 Cô	119 <3	123 60	129 65	145.77	120.06	115 37
	World Ex. UK (2022)	141.95	113	123 00	121 60	125.69	131.54	+ 14.Ū	2.57	144 25	123 41	121.74	126,19	131.74	148 66	122.92	178.04
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	World Ex. Japan (1788)	151 31	• 13 2						250	441.00	123 99	122 31	125 7B	132.04	149.01	123.28	119 33
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Notice of Redemption Commonwealth Bank of Australia ¥ 10,000,000,000 ? per cent. Guaranteed Bear Notes due November 1992 One November 1992

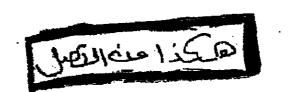
NOTICE IS HEREBY GIVEN that in accordance with Condition 4(C) of the Notes the Bank has elected to redeem ull of the Notes at 96. I6 per cent. of their principal amount (the "Redemption Amount") on 21st November, 1991 (the "Redemption Date").

The Redemption Amount was determined in accordance with Condition 4(E)(ii) of the Notes, on 6th September, 1991, based upon the final futures settlement price on the Tokvo Stock Exchange of the IGBF having its settlement date in September, 1991 of 97.84 per cent. Payment of the Redemption Amount will be made, on and after the Redemption Date, against presentation and surrender of the relevant Notes, together with all unmatured Coupons attached, at the specified office of any of the Paying Agents. The face amount of any missing Coupons will be deducted from the sum due for payment.

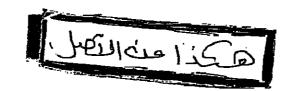
Payment of Coupon number 3 will be made in the normal manner against presentation and surrender of the relevant Coupons on and after the 21st November, 1991.

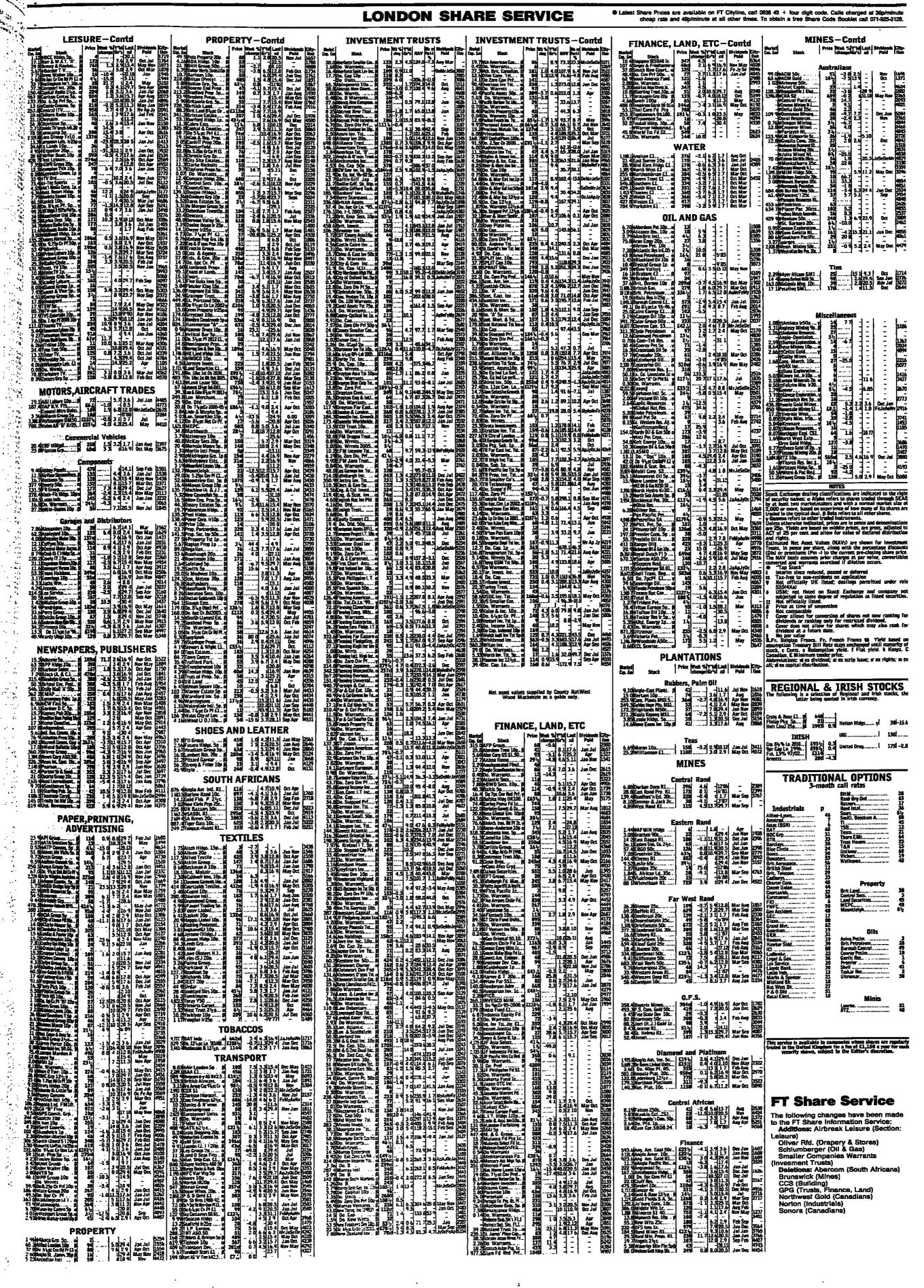
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Bankers Trust Company, London 30th September, 1991

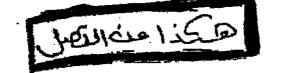


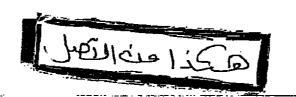
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NYSE COMPOSITE PRICES	NASDAQ NATIONAL MARKET 400 pm prices Suparmoon by
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Reformer with work still to do

Carlos Salinas de Gortari, Mexico's president, speaks to Stephen Fidler and **Damian Fraser**

he Mexican president is invested with extraordi-nary power. In his own land, his will is law. He faces little opposition from Congress, where his party has traditionally carried an unassailable majority, or from constituent states, all but two of which are run by his party. He gets an easy ride from the local press and is never criticised on domestic television.

The current holder of that

office is Mr Carlos Salinas de Gortari, who at 43 is half way through his six-year term. His position has been strengthened by the convincing victory of his party, the Institutional Revolutionary Party (PRI), in mid-term congressional elec-tions last month. Though not entirely free of accusations of ballot rigging, the result partly erased the memory of the fraud-tainted 1988 poll which brought him to office. August's congressional result showed, Mr Salinas said, that voters want change to continue". In his first three years, Mr

Salinas moved quickly to confront Mexico's economic ilis such as stagnant growth and inflation (50 per cent annually in 1988; 16 per cent today). In an interview at Los Pinos, the presidential residence in Mexico City, he confirmed his impatience for further reform.

"We are doing things which a few years ago would have been considered anathema." He has buried years of antago-nism to begin talks with the US over a free trade agreement which will also include Canada. He has privatised large sectors of industry, and tackled the entrenched power of the trades unions. The government has signed a deal with foreign banks that should, given no oil price collapse, put the coun-iry's external debt problem firmly into the past. As a result, investment funds are flooding into Mexico, helping to rekindle growth after a

the easy part. Some in his administration believe the biggest political gambles of the Salinas presidency may lay

decade of economic decline.

Mr Salinas and many of his cabinet colleagues are products of the best of US education. The president himself has three Harvard postgraduate degrees. While these qualifics. tions have been an asset in dealing with economic problems, ministers have their work cut out in countering opposition criticisms that as foreign-educated technocrats

little media (and presumably

therefore public) interest in judicial appointments other

public eye?

they fail to understand the lot of the average Mexican.

Those close to the president say he is a man who does not likes to lose, but he is not averse to changing his mind. Content to allow significant freedom to his ministers, he will nonetheless quickly seize upon the weaknesses of any proposed policy. He will take risks, but only after discounting the alternatives.

The son of a minister, Mr Salinas comes from a family steeped in politics. In Mexico, politics has been dominated by the PRI, which, with its earlier incarnations, has run the coun-

While couching its activities in revolutionary rhetoric, the PRI has always been guided less by ideology than by its desire to hold on to power. This has involved successfully resolving the claims of the three main interest groups that have dominated Mexican sociasants, urban workers ety: peasants, urban workers and the professional classes. The PRI's corporatist struc-

ture, which pervades most facets of public life, looks increas-ingly outdated in the modern and pluralistic society to which Mr Salinas aspires. Mr Salinas has stated before

that he intends to reform the party, and has been criticised for not moving faster. His dilemma is that it is the party which has brought him to power and has strengthened his mandate in the mid-term elections. As the British historian Hugh Thomas has remarked, Mr Salinas is like a woodcutter who has "set about cutting the branch of the tree by which he has climbed and

on which he is sitting".

The president insisted that much had already been done to improve confidence in the electoral system in Mexico, but there was still more to do. The PRI itself has, he says

undergone changes since the 1988 election. It campaigns better, picks better candidates, organisation, but, again he

adds, there is more to do.

The PRI, he says, must improve its "territorial organisation" - a hint that it needs to enhance its grassroots sup-port and ease its reliance on its traditional backers – unions, farm leaders and teachers.

Mr Salinas will also seek reforms to separate the party from the state, a distinction once regarded as irrelevant in Mexico but now seen as an essential component of a truly competitive political system. After three years of eco-



'Voters want change to continue in Mexico'

nomic reform, his commitment nomic retorm, his commitment to yet more change is undimin-ished. "Our commitment is simultaneously to have politi-cal and economic change."

The president believes that a comprehensive North American Free Trade Agreement could be in place by the first part of next year. The accord is seen by the government as more than an opportunity for furthering growth; it is seen as a device that will, in effect, make Mr Salinas' economic reforms irreversible. Negotia-

PERSONAL FILE

1948 Born in Nuevo Leon. 1969 Studied economics at National Autonomous University of Mexico.

1972 Master's in public administration, Harvard university. 1978 Director general at Min-istry of Finance.

1979 Director general at Min-istry of Programming and Budget. Secretary of Ministry of Programming and Bud-

Elected president. PRI wins 61 per cent of vote in mid-term congressional elections.

tions are now at their "most important stage". Having signed this month a free trade agreement with Chile, the first in Latin America, Mr Salinas says he wants

to conclude more, perhaps even with Japan. Mr Salinas is also directing his reforming zeal to two new areas: education and agricul-

The education system has provided the country with a relatively high literacy rate (more than 90 per cent of peo-ple can read). But higher education is in a mess, teachers are poorly paid, there is little vocational training and school textbooks are outdated.

In Mexico, agricultural

reform is a highly charged political issue. About a quarter of the people depend directly on the land, but they produce only 8 per cent of gross fifth of Mexico's 32m people do not have enough to eat. Mexico's record on human rights has recently been rebuked by Amnesty Interna-tional and the government is national product. No previous president has dared to overfinally begining to respond to such criticisms. The environhaul agriculture. Community ownership of many farms and ment is another important the state's permanent commitment to redistribute land - a issue, particularly in the capi-

tal, whose 20m inhabitants

make it one of the world's most populous cities. Mr Salinas is

seen by many Mexicans as

likely to end the 130 year split between government and the Roman Catholic church; most

The Mexican system has given Mr Salinas extraordinary

scope to tackle these issues.

But it has placed one impor-

tant constitutional limitation on his powers, deliberately put in place to prevent the rise of a

dictatorship: presidents can only serve for one term only. Would be like to stay on?

There is a constitutional prohibition and that speaks for itself," he said. And in four

years? "I will be unemployed."

Mexicans are Catholic.

of large landowners - are, like the educational system, still an important legacy of Mexico's bloody revolution of 1910-20. The agricultural system, says Mr Salinas, increases uncertainty and discourages investment. "We have over-extended the process of land redistribution in Mexico."

reaction to the perceived evils

Mr Salinas has promised legislation within six months to reform agriculture. His com-ments suggest he favours abolishing the artificially high prices of maize, although a decision has not yet been made. In its place, income support for poor farmers was "a

very clear possibility". Would he also tackle Petroleos de Mexico (Pemex), the world's fourth largest oil company, which permeates every cranny of the production and use of oil and gas in Mexico? Mr Salinas has committed himself to further change at

Pemex. "We cannot afford to have an inefficient public sector entity like Pemex, because that will permeate into the rest The reforms have helped to

refashion the perception of Mexico abroad, and changed Mexico's perception of itself. "The most important thing to consolidate is a change of mentality: meaning self-confidence in opening the country to the rest of the world." Yet he still faces many chal-

lenges. Although his anti-poverty programme, Solidarity which will spend \$1.8bn this year, has done much to improve the lot of the poor in some areas, he agrees that more must be done. According

The shake-out in US services

resident George Bush must have been relieved to propose deep cuts in nuclear arsenals. By making a bold foreign policy announce ment he was able, once again, to divers attention from domesic problems. Last week the White House was embarrassed by poor economic figures, including the first sharp increase in poverty since 1963. The Bush administration is

ouzzied that the economy is not yet showing convincing igns of recovery. The Federal Reserve has reduced interest rates sharply - to the lowest levels since the mid-1970s and taken steps to boost bank profitability. But monetary growth has not picked up and consumer demand appears to be fading rather than strength-ening. What is going wrong: Part of the answer requires a

trip down memory lane. Remember the 20m service secor jobs created during the Reagan years? At the time this was hailed as conclusive evidence of the US economy's dynamism and flexibility. In a post-industrial society, expansion of services was seen as the key to future prosperity. The Reagan administration demanded free international trade in services in order to capitalise on its advantage and sneered at the "sclerotic" Euro-

pean Community where dole queues were spiralling. Well, it now appears that US service industries over-ex-tended themselves; many of these jobs should never have been created. In the latest issue of the Harvard Business Review, Mr Stephen Roach, a senior economist at Morgan Stanley, the Wall Street investment house, argues that US service industries became chronically inefficient in the 1980s. "Shielded by regulation and confronted by few foreign competitors, service companies have allowed their white-collar payrolls to become bloated, their investments in information technology to outstrip the pay-backs, and their productiv-

ity to stagnate."

But with recession, the day of reckoning arrived. US service companies are now aggressively shedding labour, cutting costs and rationalising operations. This restructuring,



MICHAEL PROWSE on America

comparable with that undertaken by US manufacturers nearly a decade ago, is being super-imposed on the normal super-imposes on the normal business cycle, complicating the interpretation of economic trends. Although beneficial in the long run, the job cuts are undermining consumer confi-dence and inhibiting recovery. Mr Paul Mastroddi, an econ-omist at J P Morgan, the New York bank addresses the same

York bank, addresses the same theme in a recent research note. During the expansion of the 1980s, he argues, service industries were able to raise prices by more than 5 per cent a year, well above the 34 per cent received by manufacturers. This inflation differential hid their relative inefficiency. But tighter monetary policy, following Mr Alan Greenspan's appointment as chairman of the Federal Resurve, squeezed the economy and prevented them passing on excessive costs to consumers. The infla-tion differential has vanished, and service producers - from retailers and wholesalers to banks and local government -are retrenching. "As a result, the economy is unlikely to grow rapidly...despite the recent declines in interest

In previous recessions, manin previous recessions, manufacturing held the key to economic prospects. This is because the service actor provided a relatively secure backdrop, generating job opportunities almost regardless of the plight of "smoks-stack" American This time the relations. ica. This time the roles are reversed. The decline in manufacturing employment was unusually mild. But the employment performance of service industries has been

worse than in 1973-75 or 1981-22 even though gross national product fell much less steeply. Retailers, transportation, government, finance, insurance and real estate all shed lebeur; only in health care was growth uninterrupted.

It is no accident that the indicators signalling economic strength in recent months -from industrial production to the Purchasing Managers' index - relate primarily to the manufacturing sector. Manu-facturing output has grown at an annual rate of nearly it per cent since April, but may soon faiter. The sector's resiliance

falter. The sector's resilience reflected big improvements in productivity during the 1980s and the competitive dollar, which supported exports. Neither factor applies in the case of service industries, which mostly remain depressed.

A manufacturing-led recovery that shifts resources into export industries is desirable given the big trade deficits accumulated during the 1960s. The problem is that service industries account for about industries account for about three-quarters of private sector jobs. Weakness in services jobs. Weakness in services today is thus potentially more damaging for growth than weakness in meanufacturing in the early 1960s. As Mr Mastroddi argues, a much larger proportion of the workforce is worsed about job security and may prospects than in previous lownturns. Even jobs in state and local sovernment, once und local government, once wholly secure, are now under threat. The broader exposure of workers to the rigours of recession goes far to explain the poor outlook for consumer demand, an essential engine of

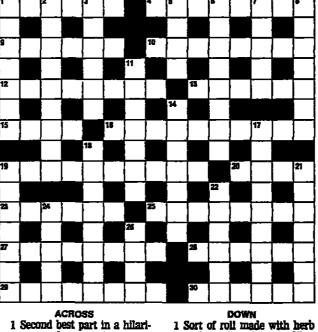
The White House is likely to press for further interest rate cuts and more resolute action cuts and more resolute action to ease the "credit crunch"—
the alleged inability of creditworthy companies to obtain
icans. Such measures may hab
at the margin. But to the
extent that the accomy's failure to grow reflects more fondumental forces such as a
restructuring of the service
sector or an overhang of debt sector or an overhang of debt they may prove irrelevant. The real story of this recession is the shadow cast by the excesses of the 1980s. Only time can beal these wounds

companic recovery.

JOTTER PAD

CROSSWORD

No.7,659 Set by DANTE



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covered (4.4) 9 Open an eye? (6) 10 He has a little place in the country (8)

12 Expedition to the French metropolis goes around a river (8) 13 Dances arranged to scale (6) 15 Yet it's difficult for busy people to take it (4)

16 in which the reserves run out (6.4) 19 He sticks up for his employer (10)
20 Widely grown but it's not

23 Capacity to get on after bit-terness? (6) 25 Under strain to return sweets (8) 27 But a tired-looking old car-

pet may not (4,1,3) 28 Lean spinner is first class (3-3) race (6)
29 High noise coming from the 24 A vital part of one's body? radio? (6.2)
30 Order still from a photogra28 Card-game depending on

and an American stuffing 2 Tries to enter bona fide

practice (9)
3 A timber found on a ship (6) (4) 6 It is inclined to keep out of the way when troubles

intervene (8)
7 One loses one's head when in a corner (5) 8 A noble estate (7) 11 A non-drinker, he is at heart

an unbeliever (7)

14 Hidden — but not from a gunman? (7)

17 Travelled overseas to get home (9) 18 Unusually apt, due to being

right in fashion (2.2.4)

19 Close-up of notability? (3.4) 21 One drunkard turns to espy another (4-3) 22 Mokes I assemble for the

luck for a change (4) The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 12. FINANCIAL TIMES INTERNATIONAL

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Major reshuffle on the bench he appointment of three new Law Lords to replace Lords Bridge, Brandon and Oliver has provoked much gossip in the Inns of Court, from among whose members candidates for high

judicial office are exclusively The appointments mean that no fewer than one third of the Appellate Committee of the House of Lords (the UK's supreme court) will change.

Yet this has merited little attention in our national newsappointments that turn up trumps. This is because it is difficult – perhaps not impos-sible in the light of modern papers. In contrast, a single appointee to the US Supreme Court has attracted, and is still attracting in Britain alone, acres of newsprint space,
Why is it, despite the comparative lack of openness in the Difficient of the the British system of appoint-ing its judges, that there is so

than when a notorious case or a miscarriage of justice thrusts the individual judge before the The British judiciary is selected nowadays without so much of a whisper from the public. It was not always so. In the 19th century, newspaper commentators were much more forthright about appoint-

ments to the High Court bench. When Lord Campbell in 1859 startled the legal profession by appointing a fellow Scot and a ar-briefless junior counsel at the English bar by the name of Colin Blackburn, The Times leader writer expostulated: Who is Mr Blackburn?"

The surprise turned out to be ill-founded. Which only goes If the media were to comto prove that whatever the method of appointment there were bound to be both irreversment on the three new Law Lords they would have much to observe, not least because, unusually, not all three ible mistakes and dubious



JUSTINIAN

If the quality of judges depends upon the method and scope of selection and the standards set by the appointing authorities, the risk of mistake

is minimal in the case of a judge's promotion to an appel-Mr Blackburn's demonstration of all the essential qualities of a judicial mind was such that he was made a Law Lord when the Appellate Committee was formed in 1876; his retirement 10 years later was regarded as an irreparable loss.

is the reticence of the press today to comment on judicial appointments the product of a self-imposed strait-jacket, grounded in their fear of the laws of contempt? Although scandalising the judiciary is strictly a part of the law of contempt of court, its application is, however, largely obso-

appointments are to take effect at the same time; Lord Bridge does not retire until February when Lord Justice Mustill will finally take his place. Until the second world war it was common for appointments

to the bench to reflect the political complexion of the government of the day. The tradition of non-political appoint-ments was firmly established by Lord Jowitt in 1947. It has been maintained ever since, with the exception of a few of the appointments made by Lord Klimuir in the late 1950s. All three new appointees have obtained golden opinions within the profession and to the outsider appear to reflect a judiciously liberal outlook to

the law. None has had any out-

ward political affiliations.

Sir Nicolas Browne-Wilkinson, for the last six years the vice-chancellor (head of the Chancery Division), has had 15 years on the bench in the course of which he has been innovative without ever incur-ring any suggestion of idiosyn-cratic law making. His period in the late 1970s as president of the Employment Appeal Tribu-nal was outstanding in wise promotion, through a series of prominent judgments, of the policy of equal opportunities

and in assisting the eradication of sex discrimination. Likewise, Sir Gordon Slynn also had a distinguished three years as president of the Employment Appeal Tribunal. Sir Gordon's career was soon diverted to Europe. For the past 10 years he has been at the European Court of Justice at Luxembourg first as an advocate-general (who gives the court his considered opinion on a case, much like a judgment of a single judge) and then a judge. Before his elevation to the bench in England he had been the government's main counsel, serving with equal distinction both Labour and Conservative administrations from 1968 to 1974.

Sir Gordon's progress from being a High Court judge and a judge at the European court to the House of Lords, without first going to the Court of Appeal, will provide further evidence to continental Europeans of the importance which the UK now places on its repre-sentation at Luxembourg. Sir Gordon's replacement at

Luxembourg is a matter of acute speculation. The betting is that the Lord Chancellor will favour a Scottish judge. Scotland has a more natural affinity with the legal systems of continental Europe; Sir Gordon's predecessor, the first British judge at Luxembourg, was Lord Mackenzie Stuart, a former judge of the Court of

The third new Law Lord, Sir Michael Mustill, comes from the distinguished stable of commercial lawyers of the Bar. But since becoming a judge he has shown an aptitude for the more humdrum work of a trial judge and later in the Court of Appeal. Off the bench Sir Michael has shown a particular interest in the legal problems associated with mental health.

All three new Law Lords are in their early 60s, youthful by judicial standards. Constitutionally they may serve until they reach the age of 75. Whether or not they stay the whole of the course, they will undoubtedly contribute for some years to come to a rejuve-nated, if not revitalised final Court of Appeal.

Louis Blom-Cooper QC

